



Daily Report

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China

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Daily Report

China

FBIS-CHI-95-019

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General

Document Says Beijing Opposes Collective Security

OW3001072495 Tokyo SANKEI SHIMBUN in Japanese 29 Jan 95 Morning Edition p 1

[By Masaru Soma]

[FBIS Translated Text] Hong Kong, 28 Jan—The outline of China's post-Cold War security framework was revealed in a Chinese internal document on 28 January. According to the internal document, China opposes the idea of establishing an Asian collective security scheme, as proposed by Japan and other countries. It has also made clear China's consistent stance of attaching importance to bilateral negotiations. This is because the country is worried that, within a security system comprised of Asian nations, "arguments over the Chinese threat," including China's military buildup, might be voiced and there would be growing criticism of China. It is also concerned that Taiwan would join such a security organization.

The internal document on China's post-Cold War security policies, which has been obtained by SANKEI SHIMBUN, was worked out by a joint research team of the CPC, the Chinese Government, and the People's Liberation Army, and distributed to Chinese military officials as reference material they must read in preparation for talks with Western military officials.

The theme of the internal document, dated October 1994, is "U.S.- Chinese military relations—post-Cold War security." It was the first revelation that the CPC and the military have confirmed their opposition to the regional security idea in Asia.

The major reason behind their opposition, the internal document says, is that China should give top priority to its continuing economic construction and should devote its strategic efforts to continuing the reform and opening up policy. Among the other reasons the document cites are the possibility that southeast Asian nations may rehash their deep-rooted "arguments over the Chinese threat." It also says that as the issue of sovereignty over the Spratly Islands in the South China Sea is expected to be brought up for discussion by the proposed security organization, there is a possibility that China's policy of seeking a solution through bilateral negotiations may collapse.

In addition, it appears that as China is worried about moves to allow Taiwan to join international organizations, it particularly wants to avoid the possibility the Taiwan issue will be discussed as part of plans on the Asian regional security idea.

China, therefore, will continue to follow its basic policy of "securing influence over other countries through bilateral negotiations" in the future as well.

In particular, China has placed the emphasis of its diplomatic policies on developing U.S.-Chinese relations, because of the belief it holds that in post-Cold War Asia, "the U.S. military presence is a prerequisite in preventing Japan and Taiwan from emerging as political and military powers."

Noting the increase in personnel exchanges between the U.S. and Chinese military forces, the internal document says that "consultations are now underway between the both forces on the implementation of military exercises."

It has made it clear that the United States and China have already engaged in concrete consultations on joint military exercises.

Asian Policy Reportedly Based on U.S. Presence

OW3001084595 Tokyo SANKEI SHIMBUN in Japanese 29 Jan 95 Morning Edition p 5

[By correspondent Masaru Soma]

[FBIS Translated Text] Hong Kong, 28 Jan—What draws attention in an internal Chinese document on China's post-Cold War policy on Asia's security is that the internal document stresses the need for strong vigilance over the possibility of Japan filling a "power vacuum" created by the lost influence of the former Soviet Union. The internal document also points out the need for vigilance over the possibility of Taiwan using its economic strength to become a regional power. It seems that the basis of China's security policy is to pursue China's national interests while making the most of the U.S. military presence in Asia.

The internal document, disclosed by a source concerned with China's security policy, contains an outline of China's security policy and stresses the importance of strengthening military relations with the United States.

The United States suspended military relations with China after the Tiananmen incident of June 1989. Assistant Secretary of Defense Freeman visited China in the fall of 1993 after the Clinton administration was inaugurated; he was the first high-ranking U.S. defense official to visit China since the Tiananmen incident. He reached an agreement with Chinese officials that the two countries would resume military exchanges, particularly the exchange of visits by military personnel of the two countries. Sino-U.S. military relations were put back to the pre-Tiananmen level after U.S. Defense Secretary Perry visited China last fall. Chinese officials have said that if Sino-U.S. military relations develop to the point where the United States supplies China with high technology and high-tech weapons, this would become an important factor in modernizing China's Armed Forces.

The internal document says "it will be possible to keep Japan from bolstering its military and political say" by maintaining and strengthening the U.S. military presence in Asia. It can be said that strengthening Sino-U.S.

military relations will become a factor in "keeping Japan in check." China is guarding against the possibility of Japan filling a "power vacuum" created by the end of the Cold War structure following the collapse of the Soviet Union. For that reason, China has continued to issue a series of warnings against the possibility of "Japan becoming a military and political superpower" and expressed concern over Japan's dispatch of Self-Defense Forces personnel to Cambodia to participate in UN peacekeeping operations (PKO).

China has increasingly guarded against Taiwan's moves for independence in the last few years. China has vehemently opposed Taiwan joining international organizations and severely denounced moves by Taiwanese President Li Teng-hui to attend Asia-Pacific Economic Cooperation meetings.

Until now, China has taken the view that "some foreign force" has been behind Taiwan's moves to become independent and join international organizations, implicitly fingering the United States as the foreign force. However, the internal document makes it clear that "strengthening Sino-U.S. military relations will become a potent factor in blocking Taiwan from making those moves."

Zhu Rongji Addresses Davos World Economic Forum

OW2801162095 Beijing XINHUA in English 1548 GMT 28 Jan 95

[FBIS Transcribed Text] Davos, Switzerland, January 27 (XINHUA)—Chinese Vice-Premier Zhu Rongji today delivered a speech on China's economic reform and development at the 25th annual meeting of the World Economic Forum, which opened here on Thursday [26 January].

In his speech, Zhu said experience has proved that reform and opening are the only way for China to attain economic strength and prosperity.

He added that China's reform is aimed at establishing a socialist market economy that will ensure the optimal allocation of resources and social justice. China "must go about it (the reform) without prejudice to social and political stability," he said.

The vice-premier explained that last year China focused on the reform of finance, banking, foreign exchange and pricing on the basis of the progress achieved since late 1970s.

He recalled that from 1979 to 1994, the annual gross domestic product averaged over 9 percent and the total import and export volume increased by 20 percent to reach 236.7 billion U.S. dollars.

Zhu also said that foreign investment in China, which totaled 32 billion U.S. dollars last year, is on the increase, and that investment is moving increasingly

from ordinary processing industries to primary industries and infrastructure projects, and from the coastal areas to the inland areas.

The government is to give inflation control top priority in its economic work this year, Zhu said.

He ascribed the current inflation in China mainly to the after-effects of the excessive investment in 1992 and 1993, which started to be reduced since the second half of 1993 thanks to the improvement in the macro-control of the economy and the adoption of a rather moderate monetary policy.

The vice premier said that the reform of China's state-owned enterprises will be another major task of 1995.

He said that China's state-owned enterprises are not losing as much as claimed by some foreign media, and that the situation will improve this year as a result of the planned reduction by the government of its intervention in the running of such enterprises.

He predicted that, with the establishment of the basic structure of the socialist market economy, China could look forward to an average annual economic growth rate of 8 or 9 percent until at least the end of the century.

Zhu said that "China needs to meet the world and the world needs to meet China for the sake of global development," and that China will honor all its international obligations.

In view of this, he said, "it is regrettable that the negotiations on the resumption of China's contracting party status in GATT should have broken down."

He stressed that China will not seek to achieve its goal of membership of the World Trade Organization at the expense of its fundamental national interests, but as a developing country with a population of 1.2 billion, China is essential to any free and fair international trade order.

The 5-day forum is being attended by some 200 government ministers, including 30 heads of state, and about 850 business leaders from around the world.

Zhu Rongji, who arrived in Davos on Thursday, will leave here this afternoon for Zurich, from where he will return home on Saturday.

Envoy to UN Discusses Beijing's Efforts in Mozambique

OW2801095095 Beijing XINHUA in English 0815 GMT 28 Jan 95

[FBIS Transcribed Text] United Nations, January 27 (XINHUA)—China has participated in the UN Operation in Mozambique and sent monitors to the elections in the country as well, said Li Zhaoxing, Chinese permanent representative to UN at a Security Council meeting.

To support the African people in their endeavor for lasting peace and to strengthen friendly relations of cooperation with all African countries is an important component of China's foreign policy, Li remarked.

"This is just what we are doing at the United Nations," Li said.

The Chinese government and people will, as always, do whatever they can to help the Mozambique Government and people overcome the current difficulties and achieve economic and social development, he said.

On the in-depth discussions of UN Secretary-General Butrus Butrus-Ghali's report "Supplement to An Agenda for Peace," Li said the key to the success of the operation lies in the observance of the purposes and principles proved effective in traditional peace-keeping operations.

The success is also inseparable from the unswerving support of the international community, including that of the United Nations and the Security Council, Li added.

U.S., Vietnam To Establish Liaison Offices

OW2801161895 Beijing XINHUA in English 1538
GMT 28 Jan 95

[FBIS Transcribed Text] Hanoi, January 28 (XINHUA)—Vietnam and the United States today opened the first liaison offices in their respective capitals since the end of the Vietnam War in 1975.

Government representatives of the two countries signed two agreements here today resolving the diplomatic property issue and settling outstanding claims between them.

A communique from the Vietnamese Foreign Ministry said that the opening of the liaison offices "marks a significant progress towards the normalization of the relationship between Vietnam and the United States."

It also creates "favorable conditions for developing ties between the two governments and continuing to solve problems of common concern," said the communique.

A U.S. Government spokesman said in Hanoi that the offices "will operate within the framework of the 1963 Vienna Convention on Consular Relations and will not constitute establishment of diplomatic relations between the two countries."

He said that consistent with U.S. President Bill Clinton's announcement last February, "any decision on the establishment of diplomatic relations with Vietnam will depend on further progress on POW/MIA (U.S. servicemen missing in action) accounting from the Vietnam War."

Comparison on Spokesman on Sino-U.S. IPR Talks

OW2601130895

Beijing XINHUA Domestic Service in Chinese at 1158
GMT on 26 January transmits a 254-character report on

Foreign Ministry Spokesman Shen Guofang commenting on Sino-U.S. intellectual property right (IPR) negotiations, as reported in referent item.

The XINHUA Domestic version has been compared with the XINHUA English version headlined "More on Joint Efforts" published in the 26 January China DAILY REPORT on page one and was found to contain the following variations:

Page one, column two, paragraph four, only sentence reads: ...(XINHUA)—China is willing [yuan yi 1959 1942] to solve the... (changing "wishes" to "is willing" and supplying the vernacular and STC's.)

Same column, paragraph six, only sentence reads: ...answering a question about progress in the Sino-U.S. IPR negotiations and whether an agreement was expected to be reached, Shen said that... (adding additional words.)

Same column, paragraph seven, only sentence reads: ...two sides held earnest [ren zhen 6126 4176] and practical [wu shi 0523 1395] discussions on the... (supplying the vernacular and STC's for "earnest" and "practical.")

United States & Canada

Reportage on Breakdown of IPR Talks With U.S.

Spokesman Urges U.S. To 'Reconsider'

OW2801170595 Beijing XINHUA in English 1648
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—China said today that responsibility for the failure of intellectual property right (IPR) talks is on the side of the United States, and called on the U.S. side to reconsider its stance and adopt positive measures so as to settle the dispute at an early date.

In a statement at the end of the talks, a spokesman for the Chinese Ministry of Foreign Trade and Economic Cooperation (MOFTEC) declared that the talks have produced no agreement and expressed regrets for this.

A new round of Sino-U.S. talks on the protection of intellectual property right, which began on January 18 in Beijing, lasted a total of nine days.

During the talks, the Chinese side has showed ultimate sincerity, the spokesman said.

The two sides discussed patent, trade mark, copyright, protective measures at the customs and border frontiers, the set-up of intellectual property protection coordinating organs and crackdown on violation of intellectual property rights. And consensus was reached on many of these issues, he said.

In order to eliminate the disputes between the two sides on the protection of intellectual property and to reach an

agreement as early as possible and strive to reach agreement at the end of this month, the Chinese side has shown ample flexibility in the negotiations concerning specific provisions.

However, the U.S. side put forward one new demand after another, some of which are not within the scope of the protection for intellectual property right. All these have made it impossible for the talks to continue, the spokesman said.

"The Chinese side expresses its regret for this and solemnly declares that the U.S. side should be held responsible for all the consequences arising therefrom."

The Chinese Government attaches much importance to the protection of intellectual property right, and it is the country's basic national policy to respect science and technology and respect talented people.

"This conforms not only with the interests of foreign intellectual property right owners, but benefits the progress of science and technology and the economic development of China itself," the spokesman said.

China has already adopted a series of forceful measures to stop and crack down on the acts in violation of intellectual property right and is taking all-round steps to strengthen the enforcement of laws and regulations and working unremittingly to build an orderly socialist market economic system.

"We hold that a proper settlement of Sino-U.S. disputes on intellectual property right will create not only the favorable atmosphere and conditions for the improvement and development of bilateral trade and economic relations, but help to further expand bilateral trade and economic and technical cooperation."

As in the case of other disputes in bilateral trade, the dispute over intellectual property right can only be settled through equal consultations on the basis of mutual respect and mutual accommodation, the spokesman stressed.

He noted that China is not willing to see the two sides resort to trade retaliatory measures while the negotiations are still going on.

"Any retaliatory trade measures against China will be met by counter-retaliatory ones," he said.

The Chinese government will decide on the list of counter-retaliation according to the U.S. retaliatory list and the country's public reactions, he said.

The spokesman expressed the hope that the U.S. side will reconsider its stance on the issue concerning the Sino-U.S. intellectual property right.

"We still hope that the two sides will adopt positive measures and settle the intellectual property disputes at an early date through equal and friendly consultations," the spokesman added.

Official Warns Against Sanctions

OW2801141895 Beijing XINHUA in English 1405
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—The Sino-U.S. talks on intellectual property [rights—IPR] ended here today, without reaching any agreement.

The talks, which began on January 18, lasted for a total of nine days with a two-day adjournment on January 22 and 23.

During the talks, the Chinese side made ultimate efforts and showed considerable flexibility, which enabled the talks to achieve constructive progress, an official from the Chinese Ministry of Foreign Trade and Economic Cooperation said.

But, the U.S. side constantly escalated their bargains, and when the talks were about to end, they raised many new issues totally beyond the scope of intellectual property, which led to the failure of the talks.

"It is really a great pity that no agreement has been reached," the official said.

He noted that China attaches great importance to the protection of intellectual property rights and to the expansion of Sino-U.S. economic and trade relations. "We don't want to see a trade war between the two sides," he said.

However, he added, if the U.S. side insists on carrying out trade retaliation against China and then the day [as received] the U.S. launches the retaliation will be the time China starts counter-retaliation.

Kantor 'Threat' on Trade Retaliation

OW2901143895 Beijing XINHUA Domestic Service in Chinese 1038 GMT 29 Jan 95

[By reporter Ying Qian (2019 6197)]

[FBIS Translated Text] Washington, 28 Jan (XINHUA)—After the conclusion in Beijing of Sino-U.S. talks on intellectual property rights which produced no results, U.S. Trade Representative Kantor told reporters that he had asked the Chinese side to send people to Washington for continued talks in a final effort to reach an agreement before 4 February.

At the same time, Kantor also issued a threat, saying if the United States and China failed to reach agreement before 4 February, the U.S. side will carry out trade retaliation against China according to its original plan.

Kantor told reporters that during the first round of talks, which have just ended, "initial agreements were reached in some important fields, but generally speaking, the Chinese side has made no commitment on issues in the critical fields which the U.S. side is concerned about."

He said that although the action on protecting intellectual property rights taken by China "deserves welcome, yet it is not enough."

Many U.S. firms which maintain economic and trade relations with China are deeply worried about the U.S. move, which might lead to the emergence of trade retaliation and counter-retaliation between China and the United States. At a hearing presently being held in Washington, the overwhelming majority of U.S. company representatives who testified, expressed the hope that U.S.-Sino disputes over intellectual property rights be solved through patient negotiation. They pointed out that the levying of retaliatory tariffs on Chinese products by the United States will cause many U.S. companies to suffer huge economic losses and many people to lose their jobs, will do great harm to consumers, and will also do no good to the U.S. economy. In any case, from the relevant written testimony which the Office of the U.S. Trade Representative allowed the press to read, this reporter could find no evidence that the planned trade retaliation against China announced by the U.S. authorities has wide support among U.S. enterprises.

Officials Say Resumed Talks Possible

OW2801121095 Tokyo KYODO in English 1130 GMT
28 Jan 95

[FBIS Transcribed Text] Beijing, Jan. 28 KYODO—China and the United States failed Saturday [28 January] to reach agreement on intellectual property rights [IPR], China's official XINHUA NEWS AGENCY reported.

It was not immediately clear if the two sides would resume discussions before a Feb. 4 deadline imposed by the U.S. Trade Representative (USTR) that could bring on trade sanctions against a billion dollars worth of Chinese exports.

Sources at China's Ministry of Foreign Trade and Economic Cooperation said a five-day Spring Festival holiday period starts Tuesday to mark the Chinese new year, but if necessary, negotiators could shorten their holiday.

U.S. negotiators earlier said that if an agreement could not be reached by Sunday, then if the Chinese side was willing the USTR would welcome a resumption of talks in Washington before the deadline Feb. 4, the last day of the Chinese holiday period.

Northeast Asia

Reportage on Sympathy, Aid for Earthquake Victims

Li Peng Sends Message to Japan

OW2701151095 Beijing XINHUA in English 1428
GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, January 27 (XINHUA)—Chinese Premier Li Peng today expressed his

sympathy once again for the earthquake victims and for the heavy losses in the Kobe area in Japan.

In a meeting here with Japanese Ambassador to China Michihiko Kunihiro, Li recalled China's suffering after a strong earthquake hit it in 1976.

He voiced the belief that under the leadership of the Japanese Government, relief work will go smoothly and the people in the earthquake-stricken area will be able to rebuild their homes and resume their normal lives soon.

The ambassador said that after the earthquake, the Chinese Government and people on many occasions expressed their sympathy and solicitude for their Japanese friends, and provided quick and much-needed assistance.

On behalf of the Japanese Government, he expressed his gratitude to the Chinese Government and people as well as his deep condolences to Chinese victims of the earlier earthquake.

During the meeting, Li also noted that it is the Chinese Government's long-term policy to develop friendly ties with Japan, and asked the ambassador to convey this to his Japanese counterpart, Tomiichi Murayama.

Aid Sent to Chinese Residents

OW2701130995 Beijing XINHUA in English 1251
GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, January 27 (XINHUA)—China today donated 100,000 U.S. dollars to the overseas Chinese affected by the earthquake in Kobe, Japan.

The donation, given by the Office of Overseas Chinese Affairs under the State Council, will be shared by a Chinese language school in Kobe, which suffered severe damage in the massive earthquake on January 17.

The office sent telegrams on January 17 and 18, immediately after the earthquake, expressing sympathy and solicitude for the people affected by the disaster.

Article Praises Improvement in U.S.-DPRK Relations

HK3001110895 Beijing LIAOWANG in Chinese No 4,
23 Jan 95 p 45

[Article by Tang Tianri (0781 1131 2480): "The Forbearance of the United States Has Long-term Significance"]

[FBIS Translated Text] After the signing of the DPRK-U.S. framework agreement last October, people might still have been concerned about whether the signatories would really put the agreement into practice, as the two countries have been hostile to one another for a long time and there is a great disparity in their respective national strengths. However, the concrete actions and

steps recently announced by the two governments showed that the framework agreement was actually being smoothly carried out.

On 9 January, the DPRK Foreign Affairs Ministry announced that the DPRK Government had decided to lift its import restrictions on American commodities as well as the restrictions on American merchant ships' entry to its ports in mid-January, thus fulfilling all its commitments in the area of reducing trade and investment barriers as specified by the DPRK-U.S. framework agreement. Reportedly, the DPRK has frozen its nuclear project in accordance with the agreement by closing a five megawatt nuclear reactor in Nyongbyon and halting the construction of another two nuclear reactors. The fulfillment of these requirements has been verified by inspectors from the International Atomic Energy Agency. According to the agreement, the DPRK also promised to return to the Nuclear Weapons Nonproliferation Treaty and agreed to resume direct DPRK-ROK dialogue.

The U.S. Government recently announced that the United States would allow American entrepreneurs to invest in the DPRK and trade with it. In mid-January, the United States supplied the DPRK with 50,000 tonnes of heavy oil and each agreed to set up diplomatic liaison offices in the other's country. Reportedly, the 50,000 tonnes of heavy oil was purchased by the United States from the ROK. The first shipment of 22,450 tonnes was shipped from ROK's Ryosu to the DPRK.

The signing and gradual implementation of the DPRK-U.S. framework agreement has been the result of compromises between the two sides. The DPRK did not lose anything, but it won a passage leading to the outside world. It is interesting that the United States, a huge monster [pang ran da wu 1690 3544 1129 3670], was even willing to compromise. It even apologized to DPRK after its military helicopter was shot down in DPRK for fear of affecting the implementation of the framework agreement. People may ask why the United States continued to carry out its high-handed policy toward Cuba but became so lenient with the DPRK.

This makes me think of the strategy of "befriending distant states while attacking those nearby" employed by the ancient politicians in China's Spring and Autumn Period. Cuba is right under the nose of the United States, so it must not be allowed to go its own way. The DPRK, however, is quite different, because it is located in the Asia-Pacific region, which is vigorous, prosperous, and promising, and is playing an important role in the comprehensive national strength competition among the big powers. Over the past year, the United States has shown greater and greater interest in the Asia-Pacific region and has been anxious to strengthen its presence there. If it were to become bogged down in an impasse over the Korea issue or if there was military confrontation, the situation would be unfavorable to the United States' long-term strategic interests.

Moreover, maintaining the nuclear nonproliferation system is also a policy of the United States. In this case, it had no concrete evidence that the DPRK was developing nuclear weapons. Thus, it could not impose sanctions against DPRK only on the basis of suspicion; nor could it use force against the DPRK as it did with Iraq. Such action would not be justifiable and would not be supported by other nations. At first, the United States was rather tough and threatened the DPRK, but the DPRK also stood firm, because it had nothing to lose and would at most fail to gain what it wanted to get. As a result, the two sides were locked in a sabre-rattling condition for some time. In this world, hard things are not easily handled, so people tend to pick a soft persimmon when they make their choice. What to do? If the mistrust was not resolved and if the DPRK was not brought back to the Nuclear Weapons' Nonproliferation Treaty, other countries with nuclear potential might follow suit. If that were to occur, how could the United States continue to hold its dominant position in the world? If a compromise was made, the compensation to the DPRK would not be made by the United States alone, but would be shared by a number of countries.

Moreover, a compromise would help Clinton and his Democratic Party strengthen their domestic position. In the mid-term elections last November, the Republican Party won a historic victory by taking more than half of the seats in both houses. In order to be reelected in 1996, Clinton and his Democratic Party urgently need to increase their success rate in foreign affairs. If the DPRK-U.S. agreement can be carried out smoothly, a political credit may be added to Clinton and the Democratic Party.

If the intentions of the quarters concerned are not considered, one may find that the signing and implementation of the agreement objectively had a major and far-reaching impact on the Korean Peninsula and the Northeast Asian region as a whole.

Although the bipolar structure has been dissolved and the Cold War has been over for many years, the Korean Peninsula remained in a situation of confrontation, with the DPRK on one side and the United States, ROK, and Japan on the other. The implementation of the DPRK-U.S. agreement will be favorable to the improvement of DPRK-U.S., DPRK-ROK, and DPRK-Japanese relations, thus paving the way for removing the tense atmosphere, a leftover of the Cold War, from the peninsula and Northeast Asia and for ensuring regional economic cooperation as well.

Southeast Asia & Pacific

Spokesman Says Philippine Boats Not Detained

OW2801132995 Beijing XINHUA in English 1304
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—Chinese Navy did not detain any Philippine

fishermen or fishing vessels in the waters of China's Nansha [Spratly] Islands, a Foreign Ministry spokesman said here today.

The spokesman made the remark when asked to comment on a report that the Navy has caught and detained Philippine fishing vessels in the waters.

"It is learned from the military sources that our Navy has never detained any Philippine fishing vessels or fishermen in the waters of Nansha Islands," the spokesman said.

He also refuted the report that the Chinese Navy has established a base at Meijijiao.

"There is nothing of the sort," said the spokesman after inquiring about the matter from the military.

Sub-Saharan Africa

Qian Qichen Meets with Beninese Foreign Minister

*OW3001120695 Beijing Central Television Program
One Network in Mandarin 1100 GMT 24 Jan 95*

[Announcer-read report over video; from the "National News Hookup" program]

[FBIS Translated Text] On 23 January, Qian Qichen, vice premier and foreign minister, had talks with Robert Dossou, Beninese foreign affairs and cooperation minister. [video shows medium and close-up shots of Qian Qichen and Dossou sitting at the far end of an oval table talking to one another through a Chinese interpreter sitting to the Qian's right]

Qian Qichen said: The Chinese Government attaches great importance to developing Sino-Beninese relations and is ready to strengthen exchanges and broaden cooperation with Benin in the political and economic spheres, and also to developing and consolidating the two countries' relations. [video shows close-ups of Dossou speaking, then cuts to show medium and close-ups of Qian and Dossou shaking hands after signing and exchanging some official documents]

Dossou said: Benin also attaches great importance to developing ties with China. Benin hopes to strengthen the two countries' relations and economic and technical cooperation, and broaden the two countries' trading relations. Benin supports direct cooperation between the two countries' companies.

That afternoon, Beninese President Soglo met with Qian Qichen in Cotonou and exchanged views on the international situation and bilateral relations issues. [video shows close-ups of Beninese President Soglo, garbed in traditional Beninese gown and headdress, welcoming Qian Qichen and exchanging pleasantries with him]

Soglo indicated that Benin attaches importance to developing friendship and cooperation with China, and that

Benin upholds the one-China policy. He said: Benin works on developing its economy, and gives priority to agricultural development.

Qian Qichen expressed appreciation for Benin's stand of upholding the one-China policy and not developing official relations with Taiwan.

Qian Qichen and his party concluded their two-day official visit to Benin this afternoon, and proceeded to Nigeria, the last leg of his five-nation tour in Africa. [video shows Qian Qichen and Robert Dossou walking past a row of rifle-bearing Beninese soldiers]

Qian Qichen Meets With Nigeria's Abacha, Ani

*OW2901150395 Beijing Central Television Program
One Network in Mandarin 1100 GMT 26 Jan 95*

[Announcer-read report over video; from the "National News Hookup" program]

[FBIS Translated Text] Qian Qichen, State Council vice premier and Chinese foreign minister, paid a visit to General Abacha, head of state of Nigeria, in Abuja on 25 January. Qian Qichen conveyed to Gen. Abacha the cordial regards and good wishes from President Jiang Zemin and Premier Li Peng. Abacha expressed his thanks for this and asked Qian Qichen to convey his regards and good wishes to President Jiang Zemin and Premier Li Peng.

Qian Qichen said: The world is diversified and colorful, so Africa should not stick to one pattern of development. China respects Nigeria's having chosen based on its national conditions a political system and development pattern suitable to itself. Abacha expressed satisfaction with the friendly relations between Nigeria and China, and he expressed his hope that the two countries will take common measures to step up cooperation in all fields and will coordinate with each other and strengthen cooperation at the United Nations and in international affairs. [video pans to show Qian, other Chinese officials, Abacha, other Nigerian officials seated at a round conference table]

On 24 January in Abaja, Qian Qichen held talks with Nigerian Minister of State for Foreign Affairs Ani. They exchanged in-depth views and reached a consensus on a wide range of issues concerning bilateral relations and international affairs. [video shows Qian, flanked by other Chinese officials, holding talks with Ani]

On the afternoon of 24 January, Qian Qichen held a news conference at his hotel at which he answered questions on relations between China and Nigeria, the situation in Africa, and China's Africa policy. [video shows Qian answering questions at news conference attended by dozens of reporters]

Qian Qichen successfully concluded his formal and goodwill visits to five African nations and left Nigeria for home on 25 January.

West Europe

Zhu Rongji Briefs Swiss Leaders on Economy

OW2701124995 Beijing XINHUA Domestic Service in Chinese 1526 GMT 26 Jan 95

[By reporters Ban Wei (3803 3837) and Zhou Shaoping (0719 1421 1627)]

[FBIS Translated Text] Bern, 25 Jan (XINHUA)—Zhu Rongji, visiting Chinese State Council vice premier, met with Kaspar Villiger, Swiss Confederation president, here on 25 January. The two leaders spoke highly of the expansion of bilateral relations, and pledged to make further efforts to promote friendly cooperation between the two countries.

At the meeting, Villiger expressed satisfaction with the fine development of friendly cooperation between the two countries, as well as the belief that bilateral relations will further expand.

He said he was very impressed with the Chinese economy's high growth rate, and hoped that the two countries would expedite the development of their trade and economic cooperation. He also invited Zhu Rongji to give a briefing about the Chinese economy's current situation and future prospects.

On 24 January, Zhu Rongji held talks on bilateral relations with Jean-Pascal Delamuraz, vice president of the Federal Council and concurrently chief of the Public Economy Department. The talks proceeded in a cordial, friendly atmosphere. Delamuraz said that the periodic exchange of visits between senior leaders of the two countries is an indication of their partnership characterized by mutual trust and fruitful achievements. He expressed admiration for China's remarkable economic achievements, adding that the success of Chinese agriculture provides enough food for a quarter of the world's population, and this is China's greatest contribution to the world since the end of World War II. He believed that the Chinese economy will develop steadily and smoothly.

On 25 January, Zhu Rongji met with Flavia Cotti, member of the Federal Council and chief of the Foreign Affairs Department. Cotti said he looked forward to his visit to China this April, and believed the visit would provide a good opportunity for the two countries to enhance their mutual understanding. The two leaders also exchanged views on international issues of common interest.

At the meetings with the Swiss leaders, Zhu Rongji thanked the Swiss Government for warm hospitality. He said: Switzerland is known not only for its beautiful scenery but also for its developed economy as well as the

important role it plays in international affairs. The Chinese Government has all along cherished friendship and cooperation with Switzerland. In recent years, growing exchanges between the two countries in various fields have gradually deepened mutual understanding and, in particular, have given a strong impetus to promoting bilateral trade and economic relations. With the rapid growth in two-way trade, Swiss entrepreneurs are very enthusiastic about investing in China. He said he was pleased and satisfied with the smooth development of Sino-Swiss friendly relations and maintained that there are great potential and prospects for economic and trade cooperation between the two countries.

Discussing the current Chinese economic situation, Zhu Rongji said: China has scored significant achievements in economic reform. Last year, the country achieved breakthroughs in establishing a socialist market economic structure; and reforms of the finance, banking, foreign exchange, and pricing systems have proceeded smoothly. In 1994, China's gross domestic product increased 11.8 percent; the import and export trade volume, 20.9 percent; direct investments by foreign businessmen, 35 percent; and foreign exchange reserves, 140 percent from the previous year.

Zhu Rongji said: The Chinese leaders will continue to steadfastly implement the line of reform and opening up, laid by Comrade Deng Xiaoping, to maintain political stability and a sustained, rapid, and healthy economic development. The Chinese economy will grow at an average annual rate of 8-9 percent until the end of this century or even beyond. The Chinese Government and people are full of confidence in the country's development prospects.

On the afternoon of 24 January, Zhu Rongji met separately with chief executive officers of four major banks and the two largest insurance companies in Switzerland. In the evening, he attended a welcoming banquet hosted by the Swiss Chamber of Industry and Commerce in his honor. He talked to chief executive officers from more than 20 well-known Swiss companies and banks, briefed them about China's economic situation and development prospect, and fielded questions from them. Swiss entrepreneurs were interested in stepping up economic activities in China. Zhu Rongji invited them to invest in China.

During his visit to Switzerland, Zhu Rongji also granted a joint interview to the Swiss TV station and leading newspapers, and paid courtesy calls on the staff of the Chinese Embassy in Switzerland and Chinese delegation in Geneva.

Zhu Rongji arrived in Switzerland on 22 January after concluding a visit to Portugal. This afternoon, he will leave for the Swiss mountain city of Davos to attend the annual World Economic Forum meeting.

Political & Social

Continued Reportage on Deng Xiaoping's Health

Not in 'Dangerous Situation'

OW2801144295 Tokyo KYODO in English 1418 GMT
28 Jan 95

[FBIS Transcribed Text] Beijing, Jan. 28 KYODO—China's state television reported the Spring Festival visit Saturday [28 January] by China's central leadership to ailing paramount leader Deng Xiaoping at the top of its evening news program, but did not show footage of the patriarch.

The China central television station announcer read a brief statement resembling an earlier report by XINHUA NEWS AGENCY that Deng was visited by the members of the Standing Committee of China's Communist Party Politburo.

Deng, who has been rumored as near death, has not appeared in public since last February, during the 1994 Spring Festival or Chinese new year, although a photograph of him at last October's National Day festivities in Beijing was recently published.

Chinese leaders traditionally visit elder revolutionary leaders on the eve of the Spring Festival which begins Tuesday.

A reliable Chinese source said Saturday that Deng is presently staying at his house in Beijing under the care of a special medical team.

"Although the decline of his physical strength has been conspicuous since last fall, he is not in a particularly dangerous situation," the source said.

Spokesman: 'In Good Shape'

HK2901055295 Hong Kong WEN WEI PO in Chinese
29 Jan 95 p A1

[Dispatch by staff reporter Li Chun (0491 5028) and Chiu Yi (5941 3015): "Spokesman Says Deng Is in Good Shape"]

[FBIS Translated Text] Shanghai, 28 Jan (WEN WEI PO)—An official from the Chinese Foreign Ministry, well known to the outside (Shen Guofang as reported by Hong Kong television station), told reporters today that Mr. Deng Xiaoping is generally in good shape [zong de shen ti qing kuang shi hao de 4920 4104 6500 7555 1906 0400 2508 1170 4104] so there is no need to make any improper comments on his death.

Photos of Deng Not 'Available'

OW2801115495 Tokyo KYODO in English 1116 GMT
28 Jan 95

[FBIS Transcribed Text] Beijing, Jan. 28 KYODO—The core of Chinese third-generation leadership paid a visit

to ailing paramount leader Deng Xiaoping. XINHUA NEWS AGENCY reported Saturday [28 January], while revealing little about the state of the 90-year-old paramount leader's health.

Deng has recently been said to be unable to walk and there have been growing rumors that he is near the end of his life.

The short report said, "senior Chinese leaders Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing and Hu Jintao recently called on retired leaders Deng Xiaoping, Chen Yun, Peng Zhen, Wan Li, Song Ping, Bo Yibo and Song Renqiong on the eve of the Spring Festival."

"Deng and other retired leaders expressed happiness over the great achievements made by the people of the whole country under the leadership of the party Central Committee with Jiang Zemin at the core," it said.

The report failed to give the date of the meetings, but Vice Premier Zhu Rongji was scheduled to return from a 10-day trip to Europe on Saturday, so the visits could have taken place the same day.

The retired leaders list are the last of the old revolutionary guard that helped establish the People's Republic of China in 1949, and are known as a part of Deng's second-generation leadership.

Former Chinese President Yang Shangkun, however, was in Guangdong Province, where he was receiving greetings for the Spring Festival or Chinese new year next Tuesday from Guangdong party Secretary Xie Fei, XINHUA said.

The official Chinese news agency told KYODO NEWS SERVICE by phone that pictures of Deng will not be available, further fueling speculation over the deteriorating health of the paramount leader.

Last week THE NEW YORK TIMES quoted Deng's daughter, Xiao Rong, as saying her father's health is deteriorating daily and that he is now unable to walk.

Other reports said Deng was in a coma and being kept alive by a team of 20 doctors.

Deng last appeared in public at the 1994 Spring Festival, when state television carried videotape of the frail leader walking around Shanghai with the aid of his daughters.

Earlier this month in a Shanghai daily, a seated Deng was shown watching last year's Oct. 1 National Day celebration from the secluded leader's compound in central Beijing's Zhongnanhai district, in the most recent public photograph of the leader.

Rumors of Deng's deteriorating health have sparked off speculation that an ongoing power struggle between central party and government leaders is beginning to pick up steam.

Party chief Jiang, who is also president, presided over several security meetings last week in what was seen as an effort to maintain a tight grip over central party and government bodies during what could be the final days or months of Deng.

Deng Rong Comments

BK3001133095 Sydney *THE WEEKEND AUSTRALIAN* in English 28-29 Jan 95 pp 1, 2

[FBIS Transcribed Text] In the frankest acknowledgment yet of the likelihood of political instability in China after the death of Deng Xiaoping, the paramount leader's daughter, Ms Deng Rong, said her father thought the best support he could give his successors was to "remain healthy and continue living".

She says in an exclusive interview with *THE WEEKEND AUSTRALIAN* that her father "fully understands how important it is for him to continue his support to the present leadership".

"He says 'my main role now is to remain healthy and if I remain healthy and continue living, this is the greatest support I can give to them'."

Ms Deng resiled from a recent report in *THE NEW YORK TIMES* in which she was quoted as saying her father's health "declines day by day" and that he could not stand or walk. The article sparked a new frenzy of speculation that Deng Xiaoping's death was imminent and precipitated a slump in the Hong Kong stockmarket.

"What I said, to be more accurate, is that my father is not as healthy as before ... What I was trying to say is that he was getting older and older but I did not use the expression 'day by day'." Ms Deng said.

She also denied having said her father could not stand or walk. "I may not have expressed myself clearly. I was trying to say that he is having some problems with his legs."

"He does not walk as long as he did perhaps some time ago. However, when other people help him he continues to walk. He refuses to be put in a wheelchair."

Ms Deng said there were "no other changes" to her father's health, adding: "As I said ... there will be a day when Deng Xiaoping will leave the scene."

Beijing sources say Ms Deng, her father's third daughter who turned 45 this week, has been reprimanded for her recent comments on her father's health.

The topic is acutely sensitive because Deng's death will represent the passing from power of China's revolutionary generation. His successors are all too aware that they will have to earn by other means the legitimacy and credibility that their elders earned in years of blood and sacrifice.

Ms Deng said she was optimistic that the "collective leadership" system her father instituted, the principal

members of which are President Jiang Zemin, Premier Li Peng, and senior Vice-Premier Zhu Rongji, would be successful, but "that will very much depend on whether they can continue to follow the policies of the past decade or so ... and open up to the outside world."

Another condition would be "that the leadership group remains united", said Ms Deng. They would face "all sorts of specific problems and difficulties". These included inflation, lack of efficiency and low productivity in the State sector, and overheating and overinvestment in the economy.

Ms Deng has risen to prominence in China as her father's biographer and as his personal assistant. Her chief responsibilities include translating his muffled words for the rest of the world and shouting on behalf of others into his one good ear.

Some commentators have speculated that Ms Deng's public comments are preparing the world, if not for his death, then at least for his non-appearance at the Chinese New Year festivities this weekend.

In fact, Ms Deng is just embarking on a publicity campaign for her best-selling biography of her father, which is scheduled for publication in New York by Harper Collins next month, and in Australia in May.

Ms Deng is due to leave Beijing next week on a promotional tour of Europe and the United States. A source close to her office said the trip would proceed as planned.

AFP Reports Deng Rong's Comments

HK2801040495 Hong Kong AFP in English 0331 GMT 28 Jan 95

[FBIS Transcribed Text] Sydney, Jan 28 (AFP)—Deng Rong, daughter of China's paramount leader Deng Xiaoping, has denied in an interview with an Australian journalist that she told the New York Times her father's health "declines day by day."

But she appeared to blame herself, saying she might not have expressed herself clearly enough. In what appeared to be a frank acknowledgement of the likelihood of political instability after his death, she told *The Weekend Australian* her father thought the best support he could give his successors was to "remain healthy and continue living."

Her father "fully understands how important it is for him to continue his support to the present leadership", she said.

"He says 'my main role now is to remain healthy, and if I continue living, this is the greatest support I can give to them'," she said. The interview was recorded in a Beijing hotel where she was surrounded by "her entourage", which included an interpreter, two secretaries and a personal assistant who dispensed tea.

In an interview with the New York Times, Deng Rong was quoted as saying her father's health "declines day by day" and that he could not stand or walk. The story triggered a 100-point slump on the Hong Kong stock exchange.

Deng Rong, 45, told the Australian journalist she found it "confusing and difficult to understand" that there was a direct link between stories about her father's health and the performance of stocks. She was quoted as saying: "What I said, to be more accurate, is that my father is not as healthy as before...What I was trying to say is that he was getting older and older but I did not use the expression 'day by day'. I may not have expressed myself clearly. I was trying to say that he is having some problems with his legs. He does not walk as long as he did perhaps some time ago," she said. "However, when other people help him he continues to walk. He refuses to be put in a wheelchair." She said there were no other changes to his health, but added: "As I said...there will be a day when Deng Xiaoping will leave the scene."

She was optimistic about the success of the "collective leadership" system that her father had instituted, principal members of which were President Jiang Zemin, Premier Li Peng and senior Vice-Premier Zhu Rongji. But she added that this depended on whether they continued to follow the policies of the past decade or so... "and open up to the outside world."

Deng Rong Pays Private Visit To Hong Kong

OW2701145595 Tokyo YOMIURI SHIMBUN in Japanese 27 Jan 95 Morning Edition p 5

[By Satoshi Saeki]

[FBIS Translated Text] Hong Kong, 26 Jan—Chinese supreme leader Deng Xiaoping's third daughter Deng Rong, who serves as spokeswoman for his father, paid a 3-day private visit to Hong Kong under the name of "Xiao Rong" from 22 January, it was learned on 26 January. A Hong Kong hotel confirmed her stay in response to a YOMIURI SHIMBUN's inquiry. Indications are, however, that she did not engage in any official activities during the visit. Her visit to Hong Kong indicates that the current health condition of Deng Xiaoping, who is reportedly in poor condition, is not critical for the time being.

Leadership Views 'Generational Shift' of Power

OW2901141895 Tokyo MAINICHI SHIMBUN in Japanese 29 Jan 95 Morning Edition p 7

[By Koji Uemura]

[FBIS Translated Text] Beijing, 28 Jan—The fourth plenary session of the 14th CPC Central Committee, which was held last fall, adopted a "declaration on a generational shift." Commenting on the declaration, an informed source in Beijing said on 28 January, "The declaration was aimed at replacing all members of the

old guard, but what is now being stressed in China is who will succeed Deng Xiaoping as China's paramount leader." The old guard, except for Deng Xiaoping, have conspicuously increased their political activities since the fourth plenary session adopted the declaration on a generational shift, and it seems that the Chinese leadership is agonizing over how to deal with their brisk political activities.

The declaration adopted at the fourth plenary session pointed out that a generational shift from the second-generation leadership to the third-generation leadership has been completed, and it confirmed the transfer of power from the second-generation leadership led by Deng Xiaoping to the third-generation leadership led by Jiang Zemin.

When the fourth plenary session adopted the declaration on a generational shift, a secret decision made at the first plenary session of the 13th CPC Central Committee—that "Deng Xiaoping has the final word on the most important matters"—was revoked.

The same informed source also said that because the declaration on a generational shift adopted at the fourth plenary session called for a "transition from the second-generation leadership to the third-generation leadership, the declaration must be interpreted as meaning that the old guard should stay out of politics."

In reality, however, Wan Li, former chairman of the Standing Committee of the National People's Congress [NPC], and former President Yang Shangkun have increased their political activities since the fourth plenary session adopted the declaration. Peng Zhen, another former chairman of the NPC Standing Committee, however, has made only one public appearance since his retirement.

Daily on Deng's Power Transfer Arrangements

HK3001120895 Hong Kong HSIN PAO in Chinese 27 Jan 95 p 20

["Beijing Political Situation" column by Jen Hui-wen (0117 1979 2429): Can Deng Xiaoping's Power Transfer Plan Prevent Chaos After His Death?"]

[FBIS Translated Text] Beijing, 25 January—In an interview with THE NEW YORK TIMES on 12 January, Deng Xiaoping's youngest daughter, Deng Rong, frankly revealed that Deng Xiaoping's health had become much poorer in the last few months and he could not walk and stand by himself. Although the frankness was welcomed generally by the public, this still evoked sensitive reactions on the stock markets and they dropped markedly. This showed that people were taking the role of Deng Xiaoping seriously. For this reason, people often discussed "whether or not the Chinese mainland will fall into chaos after Deng Xiaoping's death."

According to sources in Beijing, after his third political comeback and the establishment of the CPC second-generation leading body with himself as the core at the

Third Plenary Session of the 11th CPC Central Committee in December 1978, Deng Xiaoping paid attention to gradually reducing his personal political influence in order to change the abnormal situation in which "the whole nation's destiny is determined by one person."

Deng Xiaoping Began To Arrange the "Political and Organizational Transfer of Power" Long Ago

After Zhao Ziyang's dismissal and Jiang Zemin's rise caused by the 4 June Incident in 1989, Deng once again mentioned the danger of laying too much stress on his personal influence and said: "The current situation shows that my personal role is being stressed excessively. This is unfavorable to the state and the party and may be very dangerous some time in the future. Many countries in the world consider their China policies according to whether I am ill or dead. Once a nation's destiny is tied up to the prestige of one or two persons, the situation is very unhealthy and very dangerous. There may be no problems if no trouble occurs but there will be a total mess if any trouble happens."

In order to prevent trouble happening after his death, Deng Xiaoping arranged the political and organizational transfer of power. **Politically, the transfer of power was to formulate a correct political line that would lead China onto the course of becoming prosperous and powerful.** Being prompted by Deng, the basic line of "one central task (economic construction) and two basic points (adhering to the four cardinal principles and continuing reform and opening) formulated at and after the Third Plenary Session of the 11th CPC Central Committee, and Deng's talk during his inspection tour to the south in 1992 on the establishment of the socialist market economic structure, were included in Volume 3 of the *Selected Works of Deng Xiaoping*, published in 1993, and were called Deng Xiaoping's theory on building socialism with Chinese characteristics. This was the political measure for the transfer of power. **The organizational measure for the transfer of power refers to the selection of new leaders who can faithfully carry out the correct political line.** Being prompted by Deng, who drew a lesson from the failure of naming Hu Yaobang and Zhao Ziyang to take over power, the Fourth Plenary Session of the 14th CPC Central Committee in June 1989 elected Jiang Zemin to be general secretary and the core of the third-generation leading body. Jiang's status as the core of the central leading body was reaffirmed by the 14th party congress in October 1992. The collective leadership comprised the seven-member Political Bureau Standing Committee of Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing, and Hu Jintao, was established. The Fourth Plenary Session of the 14th CPC Central Committee in September 1994 completed the power transfer from the second-generation leading body with Deng Xiaoping at the core to the third-generation leading body with Jiang Zemin at the core. These were the organizational steps taken by Deng for the transfer of power.

People in Beijing political circles held that although there were twists and turns in the course of power

transfer arranged by Deng Xiaoping, generally speaking, the results were more successful than those achieved by Mao Zedong. Deng found the course of building socialism with Chinese characteristics that Mao had tried, but failed, to find. Although his successor Jiang Zemin does not have the high prestige he enjoys, through five year's work in the top leading position, Jiang has in fact holds control of all party, government, and military power in his hands and is independently exercising leadership.

Personal Advice Given by Deng to Jiang, Face to Face

According to sources, in order to prevent "trouble happening" after his death, since giving power to Jiang, in the past five years Deng Xiaoping has continued to give personal advice to Jiang, face to face, telling him the secrets of governing the party and the country; the following four points are the most important (basically in Deng's original words):

First, it is necessary to grasp tightly the central link of economic construction without the slightest relaxation. Things which may hinder economic construction may seem quite reasonable but the economy is the most important thing among all reasonable things. The settlement of all problems in China rely on this thing. At no time can this basic judgment be shaken or replaced with another option. This must be a firm principle [zhe shi ge ying dao li 6638 2508 0020 4289 6670 3810] and nothing is to be feared if this principle is pursued firmly.

Second, in the course of development, it is necessary to guard against rightism but it is even more important to guard against "leftism." This is because things which may disrupt our work are mainly the deep-rooted "leftist" things. Rightism may ruin socialism but "leftism" may also ruin socialism. The arguments that reform and opening will usher in and develop capitalism and that the danger of peaceful evolution mainly comes from the economic field are "leftist." One must keep sober-headed on these issues and only thus can major mistakes be prevented and can mistakes be more easily corrected. Those who create trouble in the ideology field should be ousted and there should be no controversy.

Third, the Armed Forces must be properly managed and the principle of "the party commanding the gun" must be maintained firmly. No matter how busy you are, you still need to pay attention to the work of the Armed Forces and should be willing to devote your time to the work in that field. The most important thing is to ensure that no trouble happens with the Armed Forces. When we (referring to senior leaders of the same generation as Deng) are not in this world, if the Armed Forces cannot be brought under control, the overall situation will certainly be out of control. This is our experience over many years.

Fourth, if trouble appears in China, it will still appear first inside the Communist Party. You must be soberly aware of this and should pay attention to training and selecting people with both political integrity and work ability for

the leading bodies. This is the guarantee for keeping the party's basic line in force for 100 years and maintaining peace and order in the country over a long time. This is an affair really concerning the overall interests and the general situation. There must be a core for a leading collective and Jiang Zemin is the core. Attention should be paid to establishing and safeguarding this leading body and the core of this leading body. As long as there is a good Political Bureau, especially a good Standing Committee for the Political Bureau, and as long as it is united and works diligently and plays an exemplary role in doing painstaking pioneering work and in resisting corruption, then it will certainly be able to harness any trouble and control the situation. If the party central leading body itself loses its bearings and falls into a disorderly condition, then it is hard to say what will happen. This is an issue of crucial importance. The state's destiny, the party's destiny, and the people's destiny will all depend on such a leading collective.

People in Beijing political circles in Beijing said that the advice given by Deng to Jiang for keeping the political situation stable after his death was completely reasonable and reflected Deng's deep thought. Everything will now depend on how Jiang Zemin and his colleagues put such advice into practice in the future.

There Are at Least Three Hidden Perils With the CPC After Deng's Death

The sources said: In fact, when Jiang Zemin was aware of the worsening health condition of Deng Xiaoping, he began to make a series of arrangements for maintaining political and social stability after Deng's death at the central work meetings before and after New Year's Day and at the national meeting of propaganda department heads in mid-January. He stressed the need to follow the fundamental guideline of Deng Xiaoping's theory on building socialism with Chinese characteristics to keep the unity of thinking in the whole party, to safeguard the authority of the central leadership, and to fulfill all tasks. RENMIN RIBAO's New Year's Day editorial announced the 16-character guideline, namely: "Keeping unity of thinking, controlling the situation across the board, strengthening coordination, and doing down-to-earth work." Then, in mid-January, RENMIN RIBAO published four commentator's articles to expound the four phases. The propaganda meeting formulated a principle of "two safeguardings and one strictness" (safeguarding social stability, safeguarding the authority of the central leadership, and strictness in enforcing discipline). All were actions taken against that background.

People in Beijing political circles said that even so, there remained certain hidden perils in post-Deng mainland China. First, the left-wingers inside the CPC may evoke another round of debate about "socialism" and "capitalism" as they did when they advocated the "birdcage economy" theory in 1989 after Deng's retirement and may try to pull the country back to the old path. Second,

the ordinary people are getting more and more discontent with the money-worshipping mentality of party and government officials and the increasing polarization between the rich and the poor caused by corruption, so certain social unrest like in 1989 may occur again. Third, a large number of jobless workers and peasants may stir up riots because they have harbored grievances for a long time. All these hidden perils may be the grounds for General Secretary Jiang Zemin's recent repeated stress on the need to keep a "sense of crisis."

Writer Expresses Confidence in Post-Deng Era

HK2701140295 Hong Kong CHING PAO in Chinese
No 210, 5 Jan 94 pp 26-29

[Article by Hsu Szu-min (1776 0934 3046): "On the Political Situation in Post-Deng China"]

[FBIS Translated Text] In the past two years, Deng Xiaoping's health has been an object of great concern, much more so overseas than in mainland China. Almost every one or two months, there have been reports from various media saying that something had gone wrong with his health. The stock market fluctuates accordingly. The first question that Deng Xiaoping's children are pressed to answer by journalists is always about Deng's health, and they have to describe his health vividly and explain very patiently.

The widespread concern about Deng Xiaoping's health can be read in two ways. Deng Xiaoping is the chief architect of China's reform and opening up, and a great man acknowledged the world over, so all people wish him health and longevity. On the other hand, people generally associate whether or not Deng Xiaoping is alive and going strong with China's political and economic situation, showing a certain degree of anxiety about China after Deng's death.

Although Deng Xiaoping gave up his leadership position in the CPC and the government a long time ago, it is still believed that he retains the highest influence in China. This is both rational and irrational.

Transition From Lifetime Leadership System to Nonlifetime Tenure

The fact that the health of a retired person has become a determinant in the destiny of an entire country is a product of the lifetime leadership system. Former U.S. President Ronald Reagan is suffering from Alzheimer's disease, so people feel sorry for him, but nobody would associate his misfortune with the policy of the current U.S. Government. Mao Zedong, the first-generation leader of New China, applied lifetime tenure to himself. After his death, the "gang of four" tried to usurp his power, which laid bare the problems of the lifetime leadership system. As a second-generation leader, Deng Xiaoping has resolved to change the problems of lifetime tenure and practiced what he advocates. Changes to an established system often cannot be accomplished overnight, however, and also require a "transitional period."

The Deng Xiaoping age can be seen as a period of transition from the lifetime leadership system to a non-lifetime one, with some marks of the former still left. Yet one has reason enough to believe that beginning from the third-generation leaders, China's leadership system will further emerge from the shadow of lifetime tenure.

Before the "4 June" incident in 1989, it was learned through the conversation between Zhao Ziyang and Gorbachev that the First Plenary Session of the 13th CPC Central Committee had decided that Deng Xiaoping would remain the chief decisionmaker of the party, and would be notified and consulted on the handling of major matters, despite his retirement as member of the CPC Central Committee's Standing Committee. We do not know whether or not that decision remains valid to this day, but an analysis of various phenomena indicates that Deng Xiaoping is no longer taking a personal interest in the decisionmaking of the CPC Central Committee, though he may have access to more documents than an ordinary party member.

Deng Xiaoping's Influence Lies in the Line He Has Set

Nobody can deny that Deng Xiaoping has a great influence on China, but the carrier of his influence obviously has changed from his personal presence to the line he set. One's life is limited, but the influence of a correct line on China may remain much longer.

Deng Xiaoping is 90 years old this year. Politicians and observers from various countries have come to the almost-unanimous conclusion in their projection of the situation in post-Deng China that the line set by Deng will be carried forward. In November 1993 alone, several foreign political VIPs mentioned this issue. Canadian Prime Minister Chretien, when asked by reporters in Shanghai about the impact Deng Xiaoping's death would have on China, said: From what I have observed, they will not be able to stop what they have started, and the message I get is to carry on with the reform. During his visit to Taiwan, former U.S. Secretary of State Baker also said that he would expect other leaders in China to stand by the policy made by Deng Xiaoping, and to conduct economic reform on the mainland, which will benefit China with long-term stability.

When analyzing China's political situation following Deng's death, many people naturally have been reminded of what happened after Mao Zedong's death. After Mao Zedong had passed away, China's political situation went through enormous changes. The fundamental reason had nothing to do with Mao Zedong's personal prestige; it was because the line set by Mao Zedong in his later years had not won popular support. The people had not endorsed from the bottom of their hearts the intense strife among the party and government leaders. At that time, China's stability was propped up only by Mao Zedong's personal prestige. Once he was gone, the conflicts surfaced and stability came to an end.

The line that had failed to win sincere support from the whole nation changed rapidly. In the 10-year cultural

revolution, China was submerged in the Red ocean, and everyone—young or old, man or woman—could recite Mao Zedong's quotations. The authorities demanded that the quotations be "engraved on the heart and melted in the blood."

But everything changed within two years of Mao Zedong's death.

Deng Xiaoping did not stay at the core of China's leadership for as long as Mao Zedong did, but Deng did formulate a very good guideline for China's embarking on construction and development, and he set a line that conformed to world trends and China's national conditions. This line has been proven through practice as a correct one, and has won sincere support from the whole nation. The impact of this line on China will not be affected by Deng Xiaoping's existence or death. No matter who becomes China's leader after Deng's death, he will have to follow this line. Whoever wishes to change it will not be able to do so. This is the most fundamental factor contributing to the sustained stability of China's political situation.

Takeover by New Leadership Core Has Been Completed

It generally has been noticed that since the Fourth Plenary Session of the 14th CPC Central Committee, the Chinese leaders have mentioned the issue of leadership on several occasions. On 4 November last year, Premier Li Peng said at a news conference on his South Korea trip: "China now has formed a third-generation leadership collective with Jiang Zemin at its core. This collective is united, capable, and competent to lead the Chinese people to achieve our goal of struggle." On 11 November, at a joint press interview in Malaysia, Jiang Zemin said: "The CPC now has completed the handover by the second-generation central leadership collective, and the takeover by the third-generation central leadership collective." That Jiang Zemin and Li Peng mentioned the completion of the takeover by the new central leadership almost simultaneously was an announcement of profound significance.

Hu Yaobang and Zhao Ziyang were once successors to the highest positions of the party and the government, also in the capacity of third-generation leaders. Their work went on many years, but it was never officially announced that the handover and takeover had been completed. Jiang Zemin became CPC general secretary and chairman of the CPC and state military commissions right after the "4 June" incident in 1989. He was elected president of the state at the Eighth National People's Congress. In terms of formality, he took over a long time ago, but the completion of his takeover was not officially announced either. This indicates that the second-generation leadership collective with Deng Xiaoping at its core needed to put the third-generation leadership collective on probation for a period of time before the latter was allowed to take over. This at least implies the following points at the bottom line:

1. The current leadership collective and chief leaders are competent and trustworthy. There will not be any change, apart from normal electoral adjustments that may take place in the future.

2. The members of the current leadership collective have reached a high level of understanding on their respective positions in the structure and mutual support, so the so-called "power struggle" will not happen.

3. The second-generation leadership collective, including Deng Xiaoping himself, have completely retired, not only in form but also in actuality, and have stopped influencing the decisions of the current leadership collective.

The final complete takeover by China's new leadership is providing a sound organizational safeguard for China's long-term stability, including its political stability following Deng's death.

Institutionalized Party Building Contributes to Long-Term Stability

Some critics have been spreading pessimistic speculations about China's political future following Deng's death. Some people believe that there will be a "big policy change" in China after Deng's death, while others think the leadership will land in a "power struggle." Some even go so far as to envisage all kinds of internal turmoil in China. Some of those who hold such viewpoints desire to see China plunged into chaos, and would gloat over it, while others do not have a good understanding of China's current situation, and resort to pure subjective speculations.

Any turmoil in China following Deng's death would be either internal strife or public riot.

Over the past five years since 1989, the current leadership collective with Jiang Zemin at its core has proven to be one of unity. Apart from routine personnel changes and replacements, the overall structure of this collective will not be significantly changed, and will remain stable following Deng's death.

Overseas critics are used to categorizing Chinese leaders into reformers and conservatives, but judged from what has actually been happening, the main difference between the so-called reformers and conservatives lies in the different degrees of responsiveness in comprehending Deng Xiaoping's theory on reform and opening up, and possibly, different ideas about reform methodology. It has been unanimously agreed at the high levels that China must conduct reforms, and this consensus gradually has been aligned with the guideline suggested by Deng Xiaoping. The possibility of a struggle between the reform and antireform forces in China following Deng's death is virtually nonexistent.

In that case, will there be a pure power struggle in the CPC leadership? One probably would be too idealistic to

believe that everyone in the CPC leadership is public-minded. In the history of the CPC, Lin Biao and the "gang of four" provided the contrary. However, past experience indicates that power struggle has always happened when CPC operations were abnormal. The Fourth Plenary Session of the 14th CPC Central Committee concentrated on the issue of party building, which can be seen as an important attempt to remove this hidden danger from the institution while Deng Xiaoping is still alive.

Many people have found it more conspicuous that the Fourth Plenary Session emphasized the importance of combating corruption, advocated honesty in officialdom, and augmented the Political Bureau with Wu Bangguo and Jiang Chunyun. However, the most important contribution of the Fourth Plenary Session was that it solved the problem of institutionalized party building and made it possible to maintain the stability of the third-generation leadership collective.

From the Fourth Plenary Session resolution, one can see that the CPC put a lot of emphasis on the importance of institutionalized party building, and pointed out that strengthening democratic centralism is a fundamental policy, concerns the overall situation, and will remain unchanged for a long time. It used such formulations as "it will not change with the change of leaders" and "nor will it change with the change of leaders' opinion and focus."

The immediate and long-term significance of this session thereby became ever so salient.

The CPC has been emphasizing democratic centralism for a long time, but it has always been nothing more than an abstract principle, the implementation of which was not adequately and tangibly institutionalized. The party has only a "party constitution" and the "Regulations on a Number of Criteria for the Party Activity." In many situations, major decisions within the party—including personnel changes—depend on the opinion of one or two leaders. Decisions change when the leadership changes, undermining the stability of the party, and naturally of the country as well. The Fourth Plenary Session recommended several specific plans for improving institutionalized party building, including plans for formulating regulations on supervision within the party; regulations on the selection, promotion, and appointment of cadres; and regulations on the work of central and local party committees. Once these regulations are established, they will standardize and institutionalize CPC operations, and will prevent personal factors from affecting the stability of the entire leadership collective and the whole party.

"The stability of China's political situation depends very much on the stability of the CPC." This statement by Li Ruihuan describes the reality in China. As long as the CPC leadership remains stable following Deng's death, the CPC will be stable, and so will the whole country.

The Impact of Destabilizing Factors Is Limited

The Chinese authorities do not deny the fact that destabilizing factors exist in Chinese society, but a realistic analysis would show that these destabilizing factors are not at the root, and are not omnipresent. Their threat to the overall political situation in China is not so great as to cause turmoil. Furthermore, the authorities are taking measures to eliminate them.

Some overseas scholars, who have been looking ahead to a post-Deng China, hold that the factors contributing to instability in the political situation include: 1) the "4 June" complex; 2) corruption; 3) the gap between rich and poor; 4) the relationship between local authorities and the central government; and so on and so forth.

As for the "4 June" complex, because some democratic activists from those days are now in exile abroad, they wish for the verdict on the "4 June" incident to be reversed following Deng's death, which would trigger great changes in the political situation. Hong Kong's Alliance in Support of the Patriotic and Democratic Movement in China is also waiting for this day to come, but anyone who has a deep understanding of the mainland situation will see that the sentiments of the entire mainland community are very different from what has been speculated by some people outside China. One cannot say the "4 June" complex is nowhere to be found in mainland China, but it has faded to a large extent. The first reason is that China did not backtrack after the "4 June" incident, and instead, carried on with the reform and opening up, continuously expanding and deepening this process. The second reason is that the radical reform measures adopted by the Soviet Union led to national disintegration, endless civil strife, and economic breakdown. This lesson has helped the mainland public accept the principle of balancing the reform, development, and stability. The third reason is that the living standards of the mainland people have been generally improving. Focusing on developing the economy, they want stability and are not very interested in political movements. One can say with certainty that unless other major problems concerning the basic political line are involved, "4 June" is not a factor that will affect political stability following Deng's death.

Other problems—such as corruption, the gap between rich and poor, and the relationship between local authorities and the central government—may become destabilizing factors, but the CPC is trying hard to solve these problems. And such problems are not so serious as to threaten national political stability, as happened under Kuomintang rule, when a salary received in the morning was worth nothing in the afternoon. The Chinese Army has always played a very important role in stabilizing the political situation. In his later years, Deng Xiaoping has made some adjustments to the military leadership, and used veteran Red Army generals to assist the nucleus of the third-generation leadership, emphasizing that the Army must submit to the command of the party center.

The Chinese Army is expected to remain together with the party and the government following Deng's death, thus further reducing the chances for turmoil. Therefore, we have reason to believe that China will remain stable following Deng's death, and any pessimistic alarmist talk lacks sufficient grounds.

Where China Is Heading Following Deng's Death?

After China's first-generation leader Mao Zedong died, China's social system and leadership system did not change. However, the Mao approach of taking class struggle as the key link was quickly brought to an end, and China embarked on Deng Xiaoping's line of focusing on economic construction, and on reform and opening up. This change, for which Deng Xiaoping deserves some personal credit, should fundamentally be attributed to the urging by the people of the whole nation. Since the people are satisfied with this line, post-Deng China is bound to continue it. At least by the end of the first one or two decades of the 21st century, it is unlikely that it will be replaced by another line. Therefore, the historical mission of the third-generation leadership collective in China is how to fulfill the goals and tasks set by Deng Xiaoping, including the target of entering a stage of moderate prosperity by the end of this century, and reaching the level of a moderately developed country by the end of the third or fifth decade of the next century.

The third-generation leadership collective is knowledgeable about economics and technology, understands the world, and is not hemmed in by old taboos and restrictions. They may be able to achieve more in the reform and opening up, and may make even bigger moves than the current ones. Yet they will not deviate from the framework of Deng Xiaoping's theory and line.

In addition, it also can be expected that alongside the economic structural reform, China will push ahead steadily with political structural reform.

Some critics say that Deng Xiaoping is a success in economic reforms, but a failure in political reforms. This opinion is not rounded. The *Selected Works of Deng Xiaoping* contain a large number of expositions by Deng Xiaoping on China's political structural reform, including the abolition of the lifetime leadership system, the separation of party administration and government, the promotion of democracy, the realization of the rule of law, the streamlining of the administrative structure, the institutionalization of party building, and so on. A political reform without an adequate economic basis may lead to social instability. Some political reforms have to be implemented only when economic reform has reached a certain stage, and when the public's awareness has been upgraded to a certain degree. With the development of China's market economy, the third-generation leadership collective may be able to put into practice, step by step, the ideas Deng Xiaoping put forward about political structural reform and some other

relevant issues. Owing to this belief, I am as optimistic about China's political future as I am about its economic prospects.

Deng Xiaoping's Recent Health Condition

I mentioned earlier in this article that overseas media frequently report there is something wrong with Deng Xiaoping's health. Here, I would like to disclose some latest news in passing. When I was attending the fourth plenum of the Preliminary Working Committee in Beijing in early December last year, I attended a private banquet at which I sat with Deng Xiaoping's eldest daughter, Deng Lin, and with Lu Tongyan [0712 1749 1484], daughter of former Railways Minister Lu Zhengcao [0712 2973 2347]. Miss Lu had been a frequent visitor at Deng's home. When the two ladies talked about Deng Xiaoping's recent condition, they said: Deng likes to have meals with his children and grandchildren. If someone has something else to do and cannot make it, he or she has to ask for leave of absence first. No food is left for anyone who is late once the meal is over, and so on and so forth. Their description was quite vivid.

When asked if Deng Xiaoping still wants to visit Hong Kong after 1997, Deng Lin said: "The old man still has a strong wish for it." It seems that Deng Xiaoping's health is quite stable at the moment.

Jiang, Others Visit Deng for Spring Festival

OW2801092795 Beijing XINHUA Domestic Service in Chinese 0826 GMT 28 Jan 95

[By Liu Zhenying (0491 2187 5391), Central People's Broadcasting Network reporter, and XINHUA reporter Zou Aiguo (6760 1947 0948)]

[FBIS Translated Text] Beijing, 28 Jan (XINHUA)—On the eve of the Spring Festival, Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing, Hu Jintao, and other comrades separately visited Deng Xiaoping, Chen Yun, Peng Zhen, Wan Li, Song Ping, Bo Yibo, Song Renqiong, and other comrades. Entrusted by the CPC Central Committee, Comrade Xie Fei visited Comrade Yang Shangkun, who was resting in Guangdong.

On behalf of the party Central Committee and people of all nationalities across the country, Jiang Zemin and other comrades extended their cordial festive regards to Deng Xiaoping and other veteran comrades, and sincerely wished them good health and long life. Deng Xiaoping and other veteran comrades expressed their heartfelt happiness over the great achievements in promoting reform and opening up and in building socialism with Chinese characteristics scored by people across the country under the leadership of the party Central Committee with Comrade Jiang Zemin as its core; and they asked Jiang Zemin and other comrades to convey their festive greetings to people of all nationalities across the country.

XINHUA Reports on Leaders Celebrating Spring Festival

CPC Committee Holds Get-Together

OW3001084295 Beijing XINHUA Domestic Service in Chinese 1022 GMT 29 Jan 95

[By RENMIN RIBAO reporter He Jiazheng (0149 0502 2973) and XINHUA reporters Sun Benyao (1327 2609 1031) and Zou Aiguo (6760 1947 0948)]

[FBIS Translated Excerpt] Beijing, 29 Jan (XINHUA)—The CPC Central Committee and the State Council held a Spring Festival get-together in the Great Hall of the People this afternoon, during which party and state leaders and some 4,000 people of all walks of life happily gathered to usher in the Lunar New Year holidays.

On behalf of the CPC Central Committee and the State Council, Jiang Zemin, general secretary of the CPC Central Committee, PRC president, and chairman of the Central Military Commission, and Premier Li Peng extended Spring Festival greetings to those present at the meeting. They gave their cordial regards and highest respects to members of democratic parties, nonparty patriots, workers, peasants, intellectuals, and cadres of all nationalities across the country; commanders and fighters of the People's Liberation Army; officers and men of the Armed Police Force, and the public security police. They also gave their cordial festival greetings and best wishes to compatriots in Taiwan, Hong Kong and Macao, overseas Chinese compatriots, and to foreign friends who are concerned about and give support and assistance to China's modernization drive.

The banquet hall of the Great Hall of the People was decorated with colorful lanterns for the occasion, with narcissuses shedding fragrance. Cordial conversation and Spring Festival greetings were exchanged among Comrades Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing, and Hu Jintao; comrades of party, government, army and mass organizations at the central level; retired comrades, members of democracy parties, nonparty patriots, representatives of minority nationalities, foreign experts, and representatives of various circles in Beijing.

Jiang Zemin presided over the get-together. Li Peng delivered a speech. [passage omitted]

The leading comrades and veteran comrades present at the meeting included Ding Guangen, Tian Jiyun, Li Lanqing, Li Tieying, Chen Xitong, Qian Qichen, Wei Jianxing, Wen Jiabao, Wang Hanbin, Song Ping, Zhang Zhen, Ren Jianxin, Ni Zhifu, Chen Muhua, Fei Xiaotong, Lei Jieqiong, Qin Jiwei, Li Ximing, Wang Guangying, Cheng Siyuan, Buhe, Li Peiyao, Wu Jieping, Chi Haotian, Song Jian, Li Guixian, Chen Junsheng, Luo Gan, Zhang Siqing, Wang Zhaoguo, Ngapoi Ngawang Jigme, Hong Xuezhi, Qian Weichang, Hu Sheng, Qian Zhengying, Sun Fuling, Zhu Guangya, Wang Guoquan, Wang Shoudao, Li Desheng, Zhang Jingfu, Chen Xilian,

Yang Yichen, Huang Huoqing, Peng Chong, Liao Hancheng, Yan Jici, Wang Feng, Fang Yi, Gu Mu, Ma Wenrui, and Duan Junyi.

Art performances were presented at the celebration, including children's songs and dances, Beijing opera singing, and solos by male and female vocalists.

Li Peng Addresses Get-Together

OW2901131395 Beijing XINHUA Domestic Service in Chinese 1028 GMT 29 Jan '95

[Apparent text of speech by Li Peng]

[FBIS Translated Text] Beijing, 29 Jan (XINHUA)—Comrades and friends:

The Spring Festival is around the corner. We are at this happy get-together here today to celebrate the new Spring Festival. On behalf of the CPC Central Committee and the State Council, I would like to extend festival greetings to all present here today and to compatriots throughout the country who are laboring, working, and studying arduously and industriously on various fronts, and extend cordial regards to the veteran comrades who have made outstanding contributions to the Chinese revolution and to China's construction.

Over the past year, people of all nationalities across the country, following the principle of "seizing the current opportunity, deepening reform, opening up China wider to the outside world, promoting development, and maintaining stability," have worked hard in unity and advanced in a pioneering spirit, scoring new achievements in socialist modernization. We have taken a decisive step forward in reform of the economic structure; the national economy has continued to grow at a fast pace; we have strengthened the building of a socialist spiritual civilization, democracy, and the legal system; social stability has been maintained; our undertakings are flourishing; and the standard of living of both urban and rural people has been further improved. There is vigor and vitality everywhere over the vast 9.6 million square kilometers of China's land. The Chinese people, who are industrious and brave, continue to advance in big strides along the road to building socialism with Chinese characteristics.

Comrades and friends!

The year 1995 is the last year left for us to fulfill in an all-round way the Eighth Five-Year Plan for National Economic and Social Development, and is also an important year in which we shall continue to push ahead the reform, opening up to the outside world, and modernization construction. The guiding thought and principles for this year's work are as follows: We shall adhere to Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and to the party's basic line; implement in an all-round way the guidelines of the 14th CPC National Congress and the Third and Fourth Plenary Sessions of the 14th CPC Central Committee;

further handle appropriately relations among reform, development, and stability; accelerate the establishment of a socialist market economic structure; bring about sustained, rapid, and healthy development of the national economy; effectively strengthen party-building and the building of a spiritual civilization, democracy, and the legal system; and promote all-round social progress. "Seizing the current opportunity, deepening reform, opening up China wider to the outside world, promoting development, and maintaining stability" is a scientific summation of our party's historical experience in guiding reform, opening up to the outside world, and modernization construction; it reflects the objective requirement for building socialism with Chinese characteristics; it is the principle that must be followed in guiding the general task of the country and the party for the present and for the days to come.

We have scored great and inspiring achievements. The tasks we are faced with are glorious and yet arduous. There are still some problems and difficulties in the way of our advance. Prices are increasing at an excessive rate; the agricultural base is weak; some state-owned enterprises are faced with difficulties in production and operation; in some areas public security is poor; some negative and corrupt phenomena have not yet been checked. We must concentrate our efforts on solving these problems this year. We must follow the guiding thought and principles set by the party Central Committee, unify our thinking, assume responsibility for the overall situation, strengthen coordination, and work in a down-to-earth manner so as to continue to advance work in all fields of endeavor.

At a time when we joyously celebrate the Spring Festival, we particularly miss compatriots in Taiwan, Hong Kong, and Macao. It is hoped the Taiwan authorities will value the righteous cause of the nation and make a realistic step toward realizing the "three direct links" between the two sides of the straits. We demand the British side conscientiously enforce the Sino-British Joint Statement and cooperate with China in creating the necessary conditions for Hong Kong's steady transition and smooth takeover, as well as its long-term prosperity. The friendly, cooperative relations established between China and Portugal over the Macao issue have played a positive role in promoting Macao's economic development and social stability. Accomplishing the great undertaking of unifying the motherland according to the "peaceful unification, one-country-two-systems" concept is the common aspiration of the people and the general trend. We firmly believe that, with the common efforts of all nationalities across the country—including compatriots in Taiwan, Hong Kong, and Macao—the great cause of peaceful unification of the motherland will certainly be realized.

Comrades, friends!

China is the largest developing country, with more than one-fifth of the world's population. China's reform,

opening up, and modernization drive constitutes an important and integral part of the progressive undertaking of all mankind. China will not be able to develop itself without the rest of the world, and the rest of the world will not be able to achieve progress without China. For the past year we have been unswervingly pursuing an independent, peaceful diplomatic policy, and scoring new diplomatic achievements. China's friendly and cooperative relations with various countries in the world have been strengthened, with trade and exchanges as well as the scope of cooperation being expanded and extended constantly. We have more and more friends and our international status has been enhanced further. In the new year, we will, as always, continue to strengthen friendly, cooperative relations and exchanges with the governments and peoples of various nations and make unremitting efforts to safeguard world peace and promote the common development of the mankind.

Comrades, friends! The current trend of China's social and economic development has been fine and we have a great opportunity for development. Under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the leadership of the party's Central Committee with Comrade Jiang Zemin at the core, let us unswervingly implement the party's basic line and solidify the great solidarity among all nationalities in the country to secure new and even greater victories in all our work schedules this year!

Jiang, Nonparty Figures Attend Festival

OW2801231595 Beijing XINHUA in English 1622
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—Chinese leaders attended a meeting this afternoon to celebrate the Spring Festival with democratic parties and non-party personnel in Zhongnanhai, the seat of the Central Committee of the Communist Party of China (CPC).

The CPC General Secretary Jiang Zemin and other senior CPC officials Li Ruihuan and Hu Jintao, got together with leading officials from democratic parties and the All-China Federation of Industry and Commerce, and personages without any party affiliations to celebrate the Spring Festival and conferred them on national affairs [as received].

Jiang told the meeting that the guidelines and principles for this year's work is to keep to the theory of building socialism with Chinese characteristics put forward by Deng Xiaoping and the Party's basic line, to carry out the guidelines set down by the 14th CPC National Congress in an all round way and to do a still better job in handling properly the relations between reforms, development and stability.

Efforts should be made to accelerate the pace for the establishment the system of a socialist market economy,

to achieve a sustainable, fast and healthy development of the national economy, he said.

Effective efforts should also be made to strengthen Party building, advance socialist ethics and cultural development and improve democratic and legal system so as to help promote comprehensive social progress.

The meeting was presided over by Li Ruihuan, who is a member of the Standing Committee of the Political Bureau of the CPC Central Committee and chairman of the National Committee of the Chinese People's Consultative Conference.

The fact that the CPC Central Committee invites leaders of non-communist parties, the All-China Federation of Industry and Commerce and personages without any party affiliations to Zhongnanhai to discuss the state affairs and greet the Spring Festival, Li Ruihuan said, is a vivid expression of close relationship between the CPC and the non-communist parties, the All-China Federation of Industry and Commerce, and personages with no party affiliations.

He noted that the system of multi-party cooperation and political consultancy under the leadership of the CPC has had a great bearing on the political, economic and social development of China and will doubtlessly play a greater role in the course of the establishment of a socialist market economy.

The CPC Central Committee is willing to further push forward the building of socialist democratic politics along with all democratic parties and the patriots without any party affiliations, he said.

Fei Xiaotong, chairman of the Central Committee of the China Democratic League, Lei Jieqiong, chairman of the China Association for Promoting Democracy, Chen Siyuan, a renowned personage with no party affiliation, and Li Peiyao, chairman of the Central Committee of the Revolutionary Committee of the Chinese Kuomintang, and other leaders of non-communist parties spoke at the meeting.

They praised the good situation in China's reform and opening-up and raised their opinions on the increased input in education and the promotion of the reunification of the motherland.

Jiang, Li Extend Greetings

OW2901132295 Beijing XINHUA in English 1305
GMT 29 Jan 95

[FBIS Transcribed Text] Beijing, January 29 (XINHUA)—Chinese President Jiang Zemin and Premier Li Peng today extended Spring Festival greetings to people throughout the country, to the compatriots in Taiwan, Hong Kong and Macao, to overseas Chinese and to foreign friends supporting China's modernization drive.

The top Chinese leaders, also including Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing and Hu Jintao,

extended festival greetings at a special gathering held in the Great Hall of the People this afternoon.

The coming Tuesday is China's traditional Spring Festival or lunar New Year, the most important festival and an occasion for family reunions.

Li Peng delivered a speech at the gathering, which was presided over by Jiang Zemin, who is also General Secretary of the Chinese Communist Party (CPC) and Chairman of the Central Military Commission.

About 4,000 people attended the gathering, which was sponsored by the CPC Central Committee and the State Council.

In the past year, China took decisive steps in economic reforms and achieved a sustained and rapid economic growth, said Li, a standing committee member of the Political Bureau of the CPC Central Committee.

1995 is the last year of China's Eighth Five-Year Plan period and an important year for pushing ahead reform, opening-up and modernization drive, Li said, calling the tasks of reforms "arduous."

Expounding on the guiding principle for this year's work, Li said that the country must adhere to Deng Xiaoping's theory of building socialism with Chinese characteristics as well as the Party's basic line, pay continued attention to a proper handling of relations between reform, development and stability, speed up the building of a socialist market economy and promote an overall social progress.

The principle of seizing opportunities, deepening reforms, opening wider to the outside world, promoting economic development and maintaining stability represent a scientific sum-up of experience of the Chinese Communist Party in leading the nation in reform, opening and modernization drive. Also, it reflects the requirement of building a socialist market economy. Therefore, it is an overriding guiding principle for the work of the whole Party and nation at present and for a long period to come, Li said.

The premier also stressed the importance of curbing price hikes, increasing investment in agriculture, reforming state-owned enterprises, promoting public security and fighting against corruption.

In the speech, Li said that in celebrating the Spring Festival, "we more than ever think of Taiwan, Hong Kong, Macao compatriots."

On the Taiwan issue, he expressed the wishes that the Taiwan authorities should set the general interests of the nation above all and take practical steps towards the realization of direct transportation, mail service and trade links.

China requires the British side earnestly implement the Sino-British Joint Declaration and cooperate with China

so as to create necessary conditions for a smooth transition and long-term prosperity of Hong Kong, the premier said.

He noted that the friendly cooperation between China and Portugal on the Macao issue has played a positive role in promoting the economic development and social stability in Macao.

A peaceful reunification of the motherland in line with the principle of "one country and two systems", along with the safeguarding of her sovereignty and territorial integrity, represents the shared aspiration of the Chinese people of all ethnic groups, Li said, adding that such a cause will surely be realized with the concerted efforts of all the Chinese people including the Taiwan, Hong Kong and Macao compatriots.

China's reform, opening and modernization amount to an important part of human progress in general, he said. "Therefore, China's development will not possibly be achieved if parted with the rest of the world, nor will world progress be parted with that of China."

The Chinese premier said that China will as always strengthen its friendship, cooperation and exchanges with all the governments and peoples so as to safeguard world peace and promote human development.

Li Peng Sends Greetings to Overseas Chinese

OW2801154195 Beijing XINHUA in English 1502
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—Premier Li Peng today extended new year's greetings to overseas Chinese, compatriots of Hong Kong, Macao and Taiwan, nationals of Chinese origin residing overseas, and Chinese students studying overseas on behalf of the Chinese government in an interview with a fortnightly magazine, Chinese Elite.

He wished them successful with their career and work, and a pleasant life, good health as well as happiness in their families.

"The Chinese people are a great nation," he said. "We have not only made world-recognized achievements in developing our own nation and created a splendid and glorious history and culture. Moreover, a contingent of people of Chinese origin residing overseas have made contributions to Mankind and world civilization. [no closing quotation mark as received]"

At present, there are now tens of millions of overseas Chinese and people of Chinese origin all over the world, many of whom have scored great accomplishments and become world famous personages. "They are our pride and their deeds should be given widespread publicity and their spirit be carried forward," he said.

China has sent several hundred thousand students to study overseas since it started to implement the reform and opening policy, Li added. Many of them have

completed their studies and returned to the country, and are now working in some important fields of scientific research.

At the same time, a large number of Chinese students are continuing their studies abroad, who constitute an important force. The governments at all levels should provide easy accesses for their studies, work and daily life, he said.

Concerning the reporting on China to the world, Li Peng noted that it is a very important field, and the channels of reporting must be extended so as to let the overseas Chinese and people of the Chinese origin feel the care and expectations of their motherland and the people. And they should be informed more on the latest developments in the country's reforms and construction, the Chinese premier said.

Leaders Pay Visits to Veteran Comrades

OW2801105695 Beijing XINHUA Domestic Service in Chinese 0845 GMT 28 Jan 95

[By Liu Zhenying (0491 2182 5391), Central People's Broadcasting Network reporter, and XINHUA reporter Zou Aiguo (6760 1947 0948)]

[FBIS Translated Text] Beijing, 28 Jan (XINHUA)—On the eve of the Spring Festival, entrusted by the CPC Central Committee, the National People's Congress Standing Committee, the State Council, the National Committee of the Chinese People's Political Consultative Conference, and the Central Military Commission, Li Lanqing, Li Tieying, Zou Jiahua, Chen Xitong, Wei Jianxing, Wen Jiabao, Wang Hanbin, Zhang Zhen, Ren Jianxin, Ni Zhifu, Chen Muhua, Chi Haotian, Song Jian, Peng Peiyun, Zhang Siqing, Wu Xueqian, Wang Zhaoguo, Hong Xuezhi, Hu Sheng, Qian Zhengying, and other leading comrades, as well as comrades in charge of the departments concerned, separately visited Wang Ping, Wang Shoudao, Wu Xiuquan, Li Desheng, Xiao Ke, Yu Qiuli, Zhang Jingfu, Zhang Aiping, Lu Dingyi, Chen Pixian, Chen Xilian, Duan Junyi, Geng Biao, Kang Shien, Peng Chong, Zhu Xuefan, Yan Jici, Liao Hansheng, Huang Huoqing, Zheng Tianxiang, Yang Yichen, Liu Fuzhi, Fang Yi, Gu Mu, Ma Wenrui, Yang Chengwu, Wang Feng, and other comrades; and made telephone calls to extend their regards to or asked comrades in charge of the provinces and municipalities concerned to visit Liu Lantao, Jiang Hua, Ji Pengfei, Huang Hua, Xi Zhongxun, Zhou Gucheng, Ye Fei, Wang Fang, Wang Enmao, Lu Zhengcao, Wang Heshou, and other comrades who were not in Beijing. The central comrades wished the veteran comrades a happy Spring Festival, good health, and long life. The veteran comrades asked comrades who visited them to convey their festival greetings to central leading comrades and people across the country, and they expressed their hope that the country's socialist undertakings will develop robustly and people's livelihoods will continue to improve under

the leadership of the party Central Committee with Comrade Jiang Zemin as its core.

Senior Leaders Greet Retired Officials

OW2801133995 Beijing XINHUA in English 1322 GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—Chinese senior officials conveyed greetings to retired veterans on the eve of the Spring Festival on behalf of the Central Committee of the Communist Party of China, the Standing Committee of the National People's Congress, the State Council, the Chinese People's Political Consultative Conference and the Central Military Commission.

Among those officials calling on the retired veterans or making phone calls to them respectively were Li Lanqing, Li Tieying, Zou Jiahua, Chen Xitong, Wei Jianxing, Wen Jiabao, Wang Hanbin, Zhang Zhen, Ren Jianxin, Ni Zhifu, Chen Muhua, Chi Haotian, Song Jian, Peng Peiyun, Zhang Siqing, Wu Xueqian, Wang Zhaoguo, Hong Xuezhi, Hu Sheng and Qian Zhengying.

Among the retired veterans were Wang Ping, Wang Shoudao, Wu Xiuquan, Li Desheng, Xiao Ke, Yu Qiuli, Zhang Jinfu, Zhang Aiping, Lu Dingyi, Chen Pixian, Chen Xilian, Duan Junyi, Geng Biao, Kang Shien, Peng Chong, Zhu Xuefan, Yan Jici, Liao Hansheng, Huang Huoqing, Zheng Tianxiang, Yang Yichen, Liu Fuzhi, Fang Yi, Gu Mu, Ma Wenrui, Yang Chengwu, Wang Feng, Liu Lantao, Jiang Hua, Ji Pengfei, Huang Hua, Xi Zhongxun, Zhou Gucheng, Ye Fei, Wang Fang, Wang Enmao, Lu Zhengcao, and Wang Heshou.

The senior officials expressed the hope that the retired veterans enjoy a happy Spring Festival and wished them good health and a long life.

The veterans asked the officials to convey their festival greetings to the leaders of the Central Committee of the Chinese Communist Party and the people of the whole nation. They wished the socialist cause growing dramatically and people's living standard rising continuously under the leadership of the central committee with comrade Jiang Zemin as the core.

Twenty Thousand Attend Spring Festival Party

OW2801143895 Beijing XINHUA in English 1338 GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—More than 20,000 people from all walks of life in the capital gathered for a grand evening party in the Great Hall of the People tonight to greet the Chinese traditional Spring Festival which falls on January 31.

Civilian and army artistic troupes presented various performances, including Peking Opera, music, songs and dances, folk art forms and puppet shows.

Jiang Zemin, Others Meet Soldier's Model Wife*OW2801061495 Beijing XINHUA Domestic Service in Chinese 1630 GMT 26 Jan 95*

[By RENMIN RIBAO reporter Chen Weiwei (7115 4580 0251) and XINHUA reporter Jia Yong (6329 3057)]

[FBIS Translated Text] Beijing, 26 Jan (XINHUA)—Prior to attending a grand Spring Festival cultural performance with military personnel and civilians this evening, leading party and government comrades Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Liu Huaqing, and Hu Jintao had a cordial meeting with seven members of the report group on Han Suyun's exemplary deeds in loving the country and cherishing the Army. Jiang Zemin urged the whole society to emulate the advanced deeds reported by the group and to foster a good new socialist habit of everyone assisting one another with fraternal unity.

At 1920 as Director Yu Yongbo of the General Political Department introduced Han Suyun, an Army soldier's model wife, to the central leading comrades, Jiang Zemin said: I have known about you for a long time; what you have done is very touching. Han Suyun responded with feeling: "Thank you general secretary, the party, and the people of the entire country!"

After the central leading comrades shook hands with each of the report group members, Jiang Zemin made an ebullient speech. He said: We are delighted to meet with you this evening. The exemplary deeds reported by your group have aroused strong echoes throughout the country. What Han Suyun has done epitomizes the Chinese nation's traditional virtue, as well as noble patriotic sentiments, and is an integration of traditional ethics with the spirit of our times and the affection for one's loved ones with the love for the Army and the country. This also explains that noble ideas and moral character are often reflected in ordinary life and work. He added: The enthusiastic aid offered by military personnel and civilians in Shandong, Guangdong, and Guangxi since Han Suyun's illness was brought to light vividly embodies the inseparable ties between military personnel and civilians, as well as the superiority of the socialist system. I believe that through the report group's publicity on Han Suyun, more and more advanced deeds will come forth across the country.

Jiang Zemin inquired with deep concern about Han Suyun's convalescence, and she responded by saying: "I have had a speedy recovery. Now I can walk even without clutches." Then she put aside the clutches and walked to the general secretary. In delight, Jiang Zemin, Li Peng, and others applauded.

The other six members of the report group present at the meeting were Ni Xiaowu, Liu Zhendong, Kong Shaoqung, Fan Kening, Ma Shuxuan, and Liu Renjie.

Other party, government, and military leaders in attendance were Ding Guangen, Li Tieying, Wu Bangguo,

Chen Xitong, Jiang Chunyun, Wei Jianxing, Wang Hanbin, Zhang Zhen, Ren Jianxin, Ni Zhifu, Li Ximing, Chi Haotian, Luo Gan, Wan Guoquan, Zhang Wannian, Yu Yongbo, and Fu Quanyou.

Li Peng Hosts Dinner for Foreign Experts*OW2701151995 Beijing XINHUA in English 1451 GMT 27 Jan 95*

[FBIS Transcribed Text] Beijing, January 27 (XINHUA)—Chinese Premier Li Peng met with foreign experts, who have been working in China for many years, and their relatives here today.

Li, on behalf of the Communist Party of China (CPC) Central Committee and the State Council, extended Spring Festival greetings to all foreign and overseas Chinese experts now working in China.

He also expressed his heartfelt thanks for the contributions they have made to China's construction, reform and opening-up.

During the meeting, Li briefed the foreign friends on China's current political and economic situation as well as its foreign policy, adding that the country is still facing heavy tasks in the year of 1995.

"We are confident and resolved to make new achievements in all our endeavours in the building up of socialism with Chinese characteristics," under the guidance of the Party Central Committee with Comrade Jiang Zemin as its core, the premier said.

He expressed the hope that foreign experts would play an even bigger role in "letting the world understands China and China understands the world."

Over the past four decades and more, China has invited 450,000 foreign experts to work in all fields, and some 420,000 of them have come since the country introduced the policy of reform and opening-up in the late 1970s, sources here said.

After the meeting, Li hosted a dinner in honor of the foreign friends.

Jiang, Li, Others Inscribe for Tax Administration*OW2901154295 Beijing Central People's Radio Network in Mandarin 1030 GMT 18 Jan 95*

[From the "National Hookup" program]

[FBIS Translated Text] On 18 January, the State General Administration of Taxation held a meeting at the Great Hall of the People to celebrate its 45th founding anniversary.

Party and government leaders Jiang Zemin, Li Peng, Qiao Shi, Zhu Rongji, and Liu Huaqing wrote inscriptions for the occasion. Jiang Zemin's inscription reads: "Tax revenue must serve the socialist modernization drive;" Li Peng's reads: "Strengthen tax collection and

management according to the law to help promote national economic development;" and Qiao Shi's reads: "Be honest and clean in strengthening tax collection to promote the development of socialist market economy." In his instruction, Zhu Rongji asked Xiang Huaicheng, taxation administration deputy director, to convey his greetings on its 45th founding anniversary. Liu Huaqing's inscription reads: "Strengthen tax collection to benefit the people of the whole country."

Other leading comrades who inscribed for the taxation administration's anniversary were Tian Jiyun, Li Lanqing, Li Tieying, Zou Jiahua, Bo Yibo, Wang Bingqian, and Zhang Jingfu.

On behalf of the party Central Committee and the State Council, Wu Bangguo, Political Bureau and Secretariat member of the CPC Central Committee, extended cordial greetings to tax officials at large throughout the country. He said: Over the past 45 years, the State General Administration of Taxation has set up a preliminary taxation system with Chinese characteristics and basically met the requirements of a socialist market economic structure. The administration has constantly strengthened taxation collection and management in a bid to gradually codify and standardize the taxation system.

Wu Bangguo urged the taxation front to further promote tax reform and do everything possible to ensure revenues. Particular attention must be paid to strengthening the management of special vouchers for the value-added tax and stopping tax evasion and preventing losses in tax revenues.

According to a briefing, over the past 45 years, tax offices throughout the country have collected more than 4,000 billion yuan for the state. In 1994, the country's revenues from industrial and commercial taxes totaled 451.3 billion yuan, an increase of 25.5 percent from 1993.

Zhu Rongji Returns to Beijing From Switzerland

OW2901065195 Beijing XINHUA in English 0628
GMT 29 Jan 95

[FBIS Transcribed Text] Beijing, January 29 (XINHUA)—Chinese Vice-Premier Zhu Rongji returned here today at the end of a successful visit to Portugal and Switzerland and attending the annual session of the World Economic Forum held in Davos, Switzerland.

Zhu was greeted at the airport by State Councillor and Secretary General of the State Council Luo Gan and other senior Chinese officials from the Foreign Ministry, the General Office of the Chinese Communist Party Central Committee, the State Economic and Trade Commission, the Ministry of Finance and the People's Bank of China as well as diplomats from the Portuguese and Swiss embassies here.

Other Chinese officials accompanying Zhu on his trip also returned by the same plane. They were Minister in

Charge of the State Economic and Trade Commission Wang Zhongyu, Financial Minister Liu Zhongli, Vice-Foreign Minister Jiang Enzhu and Deputy-Governor of the People's Bank of China Dai Xianglong.

Wan Li Receives Visiting Cadre From Shandong

HK3001063095 Beijing ZHONGGUO XINWEN SHE
in Chinese 1325 GMT 29 Jan 95

["Wan Li Enjoys Looking at Peonies"—ZHONGGUO XINWEN SHE headline]

[FBIS Translated Text] 29 Jan (ZHONGGUO XINWEN SHE)—At 0900 on 24 January, the parlor in the home of Wan Li, the former chairman of the National People's Congress Standing Committee, was filled with spring warmth.

Lin Tingsheng, secretary of Heze Prefecture CPC Party Committee, and his party, laden with the love and esteem of the people from the home of flowers for veteran revolutionary Wan Li, sent Wan Li four peonies which had blossomed in the depths of winter to wish him a happy new year.

"Hello! Welcome!" Wan Li went beyond the doorstep to kindly greet the guests from Heze and to shake hands with them one by one with a smile. Then, while zestfully enjoying looking at the large orange peonies, he and his wife recalled: "Yuncheng and Juancheng in your Heze Prefecture were old revolutionary bases, and we stayed there for seven to eight years. We also lived in Heze cathedral after liberation. At that time, there were only dozens of mu of peony fields in Heze."

Lin Tingsheng responded: "Now, there are 10,000 mu of peony fields in Heze, which bring very impressive economic benefits. Each mu can earn 10,000 yuan a year."

Wan Li nodded with satisfaction and said: "I have nothing to ask for other than wishing that you get rich as soon as possible." At that moment, he asked with an anxious look: "Has the problem of food and clothing in your prefecture been solved? Your per-capita income has reached 1,000 yuan, has it not?"

Lin Tingsheng answered: "Our per-capita income is 1,030 yuan and the problem of food and clothing has been solved. Last year, in particular, the amount of savings reached 2 billion yuan, up 300 yuan per capita."

Wan Li became more and more happy as the conversation went on. Thinking about his recent inspection of Jiaodong, a noted old revolutionary base, he said, while gesticulating: "I had many feelings when I paid a visit to Jiaodong. Peasants in some counties there live in small Western-style houses and have become 'higher Chinese'."

Lin Tingsheng interrupted: "Now, 110,000 people from Heze work in other parts of the country."

"That is good. Shandong has a large population, and people in populous areas should go to other places to work in a planned way. The more people work elsewhere the better. Most people who work elsewhere can get rich, earning over 2,000 yuan a year at least." "Has compulsory education been popularized?" Wan Li suddenly changed the topic of discussion and asked.

"Yes, we have also tried many other ways to solve the pay problem of teachers in privately run schools, but we still face many difficulties."

Wan Li said in an emphatic tone: "Buy less automobiles. Administrative organs should reduce and educate their staff. As far as economic development at present is concerned, 'everything is ready except the availability of talents'." Then, Wan Li inquired about the college education situation in Heze with deep concern.

Just before departing, Lin Tingsheng specially invited Wan Li to go to Heze to attend the Fourth International Peony Show. Wan Li cheerfully said: I will strive to go to Heze then to look at peonies and to watch the new changes in economic construction there.

Report on Leaders' Activities 20-26 Jan

OW2801010195

[FBIS Editorial Report] PRC media monitored by FBIS from January 20 to 26 January carried the following reports on PRC central leadership activities. The source is noted in parentheses after each report.

Hu Jintao, Others Mourn Late CPPCC Leader—Comrade Xu Yixin, member of the Sixth and Seventh Chinese People's Political Consultative Conference [CPPCC] National Committee and former vice minister of communications, died of illness in Beijing on 30 December 1994 at the age of 83. "After Comrade Xu Yixin's death, Hu Jintao, Qian Qichen, Yang Shangkun, Song Ping, Lei Jieqiong, Wu Jieping, Wu Xueqian, Wang Heshou, Qin Jiwei, Liao Hansheng, Wu Xiuquan, and Wang Enmao expressed condolences over his death and extended sympathy to his family." (Beijing XINHUA Domestic Service in Chinese 1156 GMT 20 Jan 95)

Air Force Commander, Political Commissar Commend Pilot—Yu Zhenwu, Air Force commander; and Ding Wenchang, political commissar, recently signed an order presenting a medal to Han Songlin, deputy leader of a flight brigade of a pilot academy, for skillfully carrying out a forced landing during an emergency last September. (Beijing XINHUA Domestic Service in Chinese 0207 GMT 21 Jan 95)

Flight Team Commended—Yu Zhenwu, Air Force commander; and Ding Wenchang, political commissar, recently signed an order commending the "1 August" flight demonstration team. (Beijing XINHUA Domestic Service in Chinese 2107 GMT 21 Jan 95)

Bo Yibo Inscribes for Pictorial—"ZHONGHUA JINXIU" [BEAUTIFUL CHINA], a large Chinese-English bilingual monthly pictorial featuring achievements in China's construction, and profiling brilliant

Chinese in various fields, has begun publication in Beijing. Buhe, Li Desheng, Chen Xilian, and other leading comrades attended a forum at the Great Hall of the People on the morning of 21 January to mark its publication. Comrade Bo Yibo, who serves as honorary chairman of the journal's board of directors, wrote an inscription for the journal. (Beijing XINHUA Domestic Service in Chinese 0643 GMT 21 Jan 95)

Peng Peiyun Addresses Opening of Chinese Medicine Meeting—"Addressing the opening ceremony of a national conference of directors of Chinese medicine bureaus in Beijing on 22 January, State Councillor Peng Peiyun said: We must make full use of traditional Chinese medicine to meet the people's medical needs. Governments and medical and health departments at all levels must seriously implement the party's policy toward traditional Chinese medicine and create a favorable material condition for its development." (Beijing XINHUA Domestic Service in Chinese 1514 GMT 22 Jan 95)

Bo Yibo Inscribes for Economic Readers—"A Comparative Series of the World's Economic Structures" was recently published in Wuhan to help party and government cadres acquire basic knowledge of socialist market economy. Comrade Bo Yibo inscribed these words for the series: "Study market economic theory; acquire knowledge of market economy; and serve the needs of reform, opening up, and economic construction." (Beijing XINHUA Domestic Service in Chinese 0624 GMT 23 Jan 95)

Li Peng Greets, Li Lanqing Addresses ICC China Council Inauguration—The China National Council of the International Chamber of Commerce (ICC) was formally inaugurated in Beijing 24 January. Premier Li Peng sent a message of congratulations. Vice Premier Li Lanqing attended and spoke at the inauguration. He said: "As an ICC member, China can participate in international economic and trade activities in various areas. The national council will strive to expand its membership and help Chinese enterprises open up the international market." (Beijing China Radio International in Mandarin to Asia 0900 GMT 24 Jan 95)

Li Guixian Visits Home for Aged—State councillor Li Guixian went to Miyun County in Beijing to convey greetings to old people at a home for the aged. He said: "The party and the government have always cared for and set great store by respecting and caring for old people. To respect, care for, and cherish the old is a traditional Chinese virtue. The whole of society should concern itself with problems related to the aged, and should mobilize all sectors and adopt various measures to take good care of old people." (Beijing Central Television Program One Network in Mandarin 1100 GMT 24 Jan 95)

Chen Junsheng Inspects Forestry Ministry—State Councillor Chen Junsheng and Deputy Secretary General of the State Council Liu Jimin made a special trip to the

Ministry of Forestry on 25 January to carry out an inspection. Chen Junsheng called for earnest work to ensure fire safety in forests during the spring season. (Beijing XINHUA Domestic Service in Chinese 1106 GMT 25 Jan 95)

Liu Huaqing, Zhang Zhen Extend Greetings to Soldiers—"On 25 January, Liu Huaqing and Zhang Zhen, vice chairmen of the Central Military Commission, cordially called on cadres and soldiers at a military unit stationed in Beijing. On behalf of the Central Military Commission, they extended spring festival greetings to commanders and fighters working in their respective posts." Zhang Zhen asked military units to strengthen ideological education and strengthen organizational discipline. "Liu Huaqing and Zhang Zhen urged officers and men to strengthen building of military units in accordance with the 'Program for Grass-roots Construction.' They stressed: It is essential to give priority to ideological-political construction; earnestly implement the instruction issued by Comrade Jiang Zemin, chairman of the Central Military Commission; carry out education in patriotism, dedication, revolutionary outlook on life, the spirit of plain living and hard struggle, and respecting cadres and cherishing soldiers; and become models in building spiritual civilization." Li Laizhu, commander of the Beijing Military Region; and Gu Shanqing, political commissar, accompanied Liu Huaqing and Zhang Zhen on their visit. (Beijing XINHUA Domestic Service in Chinese 1333 GMT 25 Jan 95)

Jiang Chunyun Attends Theatrical Performance—A soiree featuring theatrical performances for China's 900 million peasants was held in Beijing on 25 January. Jiang Chunyun, member of the CPC Central Committee Political Bureau and Secretariat, attended the performance. (Beijing XINHUA Domestic Service in Chinese 1212 GMT 26 Jan 95)

'Internal Notice' Urges Appointing Younger Members

OW2901124195 Tokyo TOKYO SHIMBUN in Japanese 27 Jan 95 Morning Edition p 5

[By Masaomi Sasaki]

[FBIS Translated Text] Shanghai, 26 Jan—According to an informed source in Shanghai, on 26 January the CPC Central Committee's Organization Department issued an internal notice to prefectural and municipal officials, who are also party members, directing them to appoint young party members and medium-class members to prefectural and municipal government positions, and saying that over one-third of the governmental posts should be held by them. The purpose of issuing the internal notice is to promote party efforts to replace the old with the young.

It has been observed that by prescribing the concrete age structure system as part of the "restructuring" of the

senior members lineup, the party has indicated its stand of checking moves by old guards in Beijing who are preparing for the "post-Deng Xiaoping" era.

The lack of members who are competent in administrative work and are in their 30's or 40's is a serious problem for the CPC that needs to be solved. Regardless of being central or local organization members, old guards have become "stumbling blocks" to efforts in promoting generational change. Particularly since China has entered the market economy era, there is a growing trend of competent members, critical of "control by old guards," leaving to join private companies.

According to the same source, the notice directs local prefectural and municipal officials to appoint party members of 35 years and under to the posts of county chiefs and county party secretaries, and more than one-third of senior party members aged less than 45 years old as city majors and city party secretaries. In this way, the notice calls for promoting prefectural and municipal level efforts to fill positions held by old guards with younger members and allowing them to take over administrative work to carry out policies.

The source said that the notice also says that even in cases where members leave their posts for such reasons as personnel reshuffles, their posts should be taken over by members of the same generation or younger. It seems that by introducing such an age structure system, the party is aiming to get rid of obstacles created by retired elder members who tend to exercise their influence.

At present, the average age of the seven members of the Political Bureau's Standing Committee is 65, and there is a view that the government is created and held by the old guards who are in their 80's to 90's in the form of "government by ex-Emperors." However, a decision was made at the 4th Plenary Session last autumn that the party would be managed by the third generation led by Secretary General Jiang Zemin.

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HK3001120695 Beijing RENMIN RIBAO in Chinese 27 Jan 95 p 5

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Science & Technology

Reportage on Satellite Launch Explosion

Jiang Zemin Orders Investigation

HK2701110295 Hong Kong MING PAO in Chinese
27 Jan 95 p A2

["Newsletter From Beijing" by special correspondent He Fang (0149 2455): "Jiang Zemin, Liu Huaqing Issue Order for Thorough Investigation Into Satellite Launch Failure"]

[FBIS Translated Text] According to sources in Beijing, after the explosion of the rocket launching the Apstar II satellite, the Xichang Satellite Launch Base in Sichuan; the State Commission of Science, Technology and Industry for National Defense; and the State Aerospace Bureau in Beijing immediately held urgent closed-door meetings to analyze the reasons for the accident and to work out measures for handling the aftermath. After that, Jiang Zemin, general secretary of the CPC Central Committee and chairman of the Central Military Commission [CMC], and Liu Huaqing, vice chairman of the CMC, personally attended to the case and issued orders for a thorough investigation of the accident.

Yesterday morning, the quarters concerned dispatched a large number of engineering troops to the area where the rocket and the satellite crashed, to search for and collect the wreckage fragments in order to find clues for the investigation into the causes.

According to other sources, accidents have occurred rather frequently in China's satellite launching over the past two years, and this has caused an "extremely adverse" impact on China's reputation at home and abroad. The top leadership, and some senior retired leaders, have all called for taking disciplinary action against senior officials responsible. Therefore, it is very likely that internal disciplinary action may be taken against General Ding Henggao, current minister of the State Commission of Science, Technology, and Industry for National Defense, and Liu Jiyuan, current director of the State Aerospace Bureau; they may even be dismissed from office.

According to an expert who knew the inside story, the frequent accidents happening in China's satellite launching were mainly related to the effects of the commercialization of the aerospace industry.

The expert explained by citing an example. The explosion of the meteorological satellite Fengyun II caused more than 20 casualties and damage to some plants. After such a serious accident, the launch plans should be adjusted, revised, and suspended for at least six months or even a year (after the explosion of the Challenger space shuttle in January 1986, the United States suspended the space shuttle plan for 32 months and resumed in September 1989). However, because China had received too many satellite launch orders in recent years, and it is said that the orders were arranged up to 1996, it continued to launch communications satellite Dongfanghong III last November before thoroughly investigating and adjusting the operation system and returning to the best condition; the launch was still unsuccessful. After the satellite was lifted into orbit, it was not working and could not be used. This greatly postponed China's plan for transmitting television programs for 30 provinces and regions via satellites.

The State Commission of Science, Technology, and Industry for National Defense has three satellite launch centers in Shanxi's Taiyuan, Gansu's Jiuquan, and Sichuan's Xichang. The Xichang base has been the most prominent one in recent years, almost all overseas satellites being launched from there. It was also opened to tourists. The base thus had a stronger and stronger commercial flavor. In order to increase income, the base authority even wanted to do advertising business in the live television broadcasts of satellite launching and this idea attracted strong criticism.

Wreckage Kills 6, Injures 23

OW2801132195 Beijing XINHUA in English 1302
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—Wreckages of a Chinese-made carrier rocket and a U.S.-made telecommunications satellite that exploded two days ago killed six and injured 23 people.

The wreckages of the Apstar-2 satellite and the Long March 2E Rocket were scattered around a mountain area

seven kilometers away from the launching site, causing casualties among residents living scatteredly in the area. The personnel and facilities of the Xichang Launching Center remain safe, an official from the relevant department said today.

"Relevant State departments have showed great concern over the accident, especially the residents casualties. Officials concerned and the local government organized timely rescue work, and specialists were dispatched from Beijing to aid the rescue on the day of the explosion," the official said.

The official expressed deep regret over the explosion accident. He said the reason of the explosion is being investigated by both Chinese and U.S. experts. "However," he said, "our confidence to launch satellites for overseas clients will not at all be affected. We have full confidence in the quality and reliability of the Long March 2E Carrier Rocket."

"The incident should not affect our further satellite launching plans because all the facilities in the launching site remain intact," he added.

The abortive launch of the Apstar-2 telecommunications satellite, which was made by the Hughes Corporation and belonged to the Hong Kong-based APT Satellite Company, was made on early morning of January 26.

Initial Analysis Blames Fuel Leak

HK3001100195 Hong Kong MING PAO in Chinese
28 Jan 95 p A7

[By special correspondent He Fang (0149 2455): "Initial Analysis Shows Fuel Leakage Caused Explosion of Apstar II"]

[FBIS Translated Text] According to sources in Beijing, after conducting an initial investigation and analysis, the Chinese institutions concerned are inclined to agree Apstar-2 exploded as it was being launched due to a fuel leak in the satellite's propulsion engine (or the fourth stage of the rocket), but experts in Hong Kong have questioned this conclusion.

Reportedly, in the investigation and analysis following the accident, the Chinese institutions concerned found that all the operational data of the Long March 2E rocket are normal, and the video record also shows that the fire first appeared in the satellite and led to the explosion of the satellite and the rocket. Therefore, the initial conclusion was that the explosion was caused by the fuel in the satellite's propulsion engine. A similar accident occurred when China launched the Optus satellite for Australia in December 1992. At that time, the satellite exploded 48 seconds after being sent onto orbit. Like the Apstar-2, the Australian satellite was built by the same American company, Hughes Aircraft.

According to Chinese sources—who quoted an official from China's Changcheng Industrial Corp., the firm

responsible for the satellite launching project—Hughes insisted on keeping details about the satellite secret from the Chinese side as preparations for the launch were being made. The U.S. workshop was closed to Chinese personnel—something as small as changing a light bulb in the workshop had to be done by the American side's technicians. As a result, the Chinese side had absolutely no knowledge about the satellite.

However, the official admitted that the final conclusion about the real cause of the accident could not be reached before tests had been completed on the fragments of the rocket and the satellite, and this would take a rather long period of time.

Chan Kai-chung, a rocket launch expert and director of the Research Center of the Science and Technology University of Hong Kong, questioned the correctness of the Chinese side's "conclusion." He pointed out: The fuel in the satellite's propulsion engine should consist of compressed gas. There should be a safety device in the ignition mechanism, and fuel cannot easily leak out and lead to an explosion, unless affected by a powerful external force. He suspected that the Chinese side's "initial conclusion" might simply be aimed at shirking its responsibility.

U.S. Renews Satellite Agreement

HK2801061695 Hong Kong SOUTH CHINA
MORNING POST in English 28 Jan 95 p 6

[By Dede Nickerson in Beijing: "US Signs Satellite Launch Treaty"]

[FBIS Transcribed Text] China and the United States yesterday renewed Satellite Price Launching Agreement, one day after the failed launch of the Long March 2E rocket. The agreement sets quotas for launches and the prices Chinese can charge for launching US-made satellites.

US policy on launching American-made satellites was highly controlled until last year when sanctions following the Tiananmen crackdown and those relating to China's adherence to the Missile Technology Control Regime were reduced or lifted.

The sanctions linked to China's missile technology compliance halted all launches of US-made satellites and reduced trade in space-related goods. The Tiananmen sanctions limited the number of satellite launches and also imposed restrictions on the sale of items that could be used for military purposes, although any item on a munitions list must receive a presidential waiver. China only carried out five of the nine launches permitted over five years.

Satellite manufacturers favour China as a launch site because it is relative cheap at between US\$40 million and US\$65 million (HK\$300 million to HK\$500 million), especially compared to the US, where the range is US\$90 million-US\$100 million. "Such pricing made the

risk worth it for many firms. But continued fiascos such as the Long March 2E will discourage satellite operators from launching in China," a Western diplomat said.

The loss of Apstar-2 has left television companies scrambling for alternatives. "This will cause delays in many programming schedules," said a Beijing industry consultant.

Quality of Rockets Called 'Reliable'

HK3001075595 Beijing ZHONGGUO XINWEN SHE
in Chinese 1001 GMT 29 Jan 95

[By Zhu Daqiang (2612 1129 1730)]

[FBIS Translated Text] Beijing, 29 Jan (ZHONGGUO XINWEN SHE)—After the explosion of the Apstar-2 satellite while it was being launched by the Long March 2E rocket in China on 26 January, various comments were made overseas and there has been much speculation. This reporter clearly saw from the television image of one-48th of a second that after the rocket had soared for about 50 seconds, fire appeared first on top of the rocket where the satellite was, and then the explosion occurred. The fire then spread to the second level and then to the first level of the rocket, causing the explosion of the whole rocket.

The television images showed that after the explosion at the top of the rocket where the satellite was placed, the rocket engine was still working normally and the rocket continued to fly. The sound of "tracing normally" could be heard at that moment until the explosion of the rocket. This shows that China's Long March 2E rocket is advanced and reliable. The explosion happened about 50 seconds after liftoff. According to the satellite launching schedule, separation from the first level of the rocket should happen 159 seconds after liftoff, while release of the auxiliary rockets should happen 127 seconds after liftoff. Therefore, the explosion was not caused by these two factors.

The contract to launch Apstar-2 was signed between China's Changcheng Industrial Corporation and Hong Kong's APT Satellite Company Limited in January 1994. The satellite was a HS-601 model built by the Hughes Aircraft Corporation of the United States. This was the sixth launching of China's Long March 2E rocket. The television images fully showed the advanced and mature technology of the Long March 2E rocket. The quality of the rocket is reliable. Moreover, the entire production process was subject to strict and careful quality control.

This reporter today conducted a telephone interview with a responsible official from the Changcheng Industrial Corporation. He said that the explosion of the Apstar-2 satellite will not affect China's foreign satellite launching service in the future and that there is no need to change launching plans. In the past few days, Changcheng Industrial Corporation has continued its

international marketing operations and discussions with new customers about their satellite launching plans.

This year, China will launch five foreign satellites. In addition to the Apstar-2, China will use the Long March 2E to launch Asiastar-2 and the Aikesida [5337 4430 2448 6671] satellite and will use the Long March 3B to launch two communications satellites for the International Satellite Organization. At present, production and preparation of the rockets is continuing according to the original plan in order to guarantee the launchings occur on time.

It is learned that Chinese and American experts have worked out a plan to analyze the launch failure.

The explosion did not cause any losses to facilities and personnel at the Xichang launch base. However, as fragments of the rocket and satellite fell in a mountainous area 7 km from the launching area, six local residents were killed and 23 people were injured. Proper handling of the casualties has been implemented.

Future Launchings Not Affected

HK3001063295 Beijing CHINA DAILY in English
30 Jan 95 p 1

[By Sun Shangwu: "Company Says Crash Not Hurting Business"]

[FBIS Transcribed Text] The launch failure of the Apstar-2 will not affect other launchings of the China Great Wall Industrial Corporation (CGWIC), a company source said yesterday in Beijing.

Future launchings will go ahead as planned, he said, despite the explosion on Thursday that killed six people.

The CGWIC still plans to launch five commercial satellites for foreign customers this year. The Apstar-2 was the first one.

The source said the Long March 2E technology is of good quality.

He said his corporation is still discussing new launch contracts with foreign customers, even after the accident. But he did not elaborate.

He also said he could not disclose details of the investigation into Thursday's disaster.

A video tape recording of the launch shows that fire first broke out in the front part of the rocket.

This could also be seen in TV replays shot by the China Central Television Station at Xichang space centre.

Fire first engulfed the satellite compartment, then quickly spread to the trunk of the carrier rocket Long March 2E and finally caused a horrific explosion.

The explosion happened about 50 seconds after liftoff.

Song Jian Addresses Award-Winning Scientists

OW2601124295 Beijing XINHUA Domestic Service in Chinese 1125 GMT 12 Jan 95

[By reporter Zhu Youdi (2612 1635 2769)]

[FBIS Translated Excerpt] Beijing, 12 Jan (XINHUA)—The Ho Leung Ho Lee Foundation's first award meeting was held ceremoniously in the Great Hall of the People this afternoon. Li Peng, member of the CPC Central Committee Political Bureau Standing Committee and premier of the State Council; and Wu Bangguo, Lu Jiaxi, Song Jian, Li Guixian, and Qian Weichang attended. [passage omitted]

Song Jian, state councillor and minister of the State Science and Technology Commission, extended his warm congratulations to 24 prize-winning scientists on behalf of the State Council and the scientific and technological circles. He said: The Chinese nation, a great nation of diligence and wisdom, has left a record of brilliant contributions in the world's science and technology history. In the last four decades and more, its large number of talented people have made particularly remarkable achievements in developing science and technology and promoted modernization for New China. The prize-winning scientists here today are outstanding representatives of China's vast number of scientific and technological workers. With their wisdom, intelligence, and extraordinary efforts, they have made outstanding contributions to scientific prosperity, technological progress, and national rejuvenation and won the respect of the entire society. At the same time, we will not forget that there are also thousands upon thousands of other scientists and technicians quietly working on various fronts for our country's modernization. Their hard work and precious contributions, together with these prize-winners, will go down in the brilliant annals of the motherland's progress.

Song Jian said: It is an important, long-term policy of the party and the government to reward outstanding scientists and technicians to promote the country's scientific and technological development. This is also a common aspiration of all descendants of the Yan and Huang Emperors [the Chinese] at home and abroad. China is a developing country facing both an exceptional opportunity and a rigorous challenge at the turn of the century. Science and technology are the primary productive force, as well as an important motive force for the Chinese nation to achieve a take-off in the world. Under the new situation, China must achieve a new liberation and major development in science and technology. While striving to catch up with and join the scientific and technological currents of the world, our scientists and technicians should work hard to solve tough and urgent problems for economic construction. The Chinese nation is full of vitality. While the rapidly progressing modernization drive relies on the support of science and technology, it also provides more room for scientific and technological workers to maneuver. The scientific and

technological circles should follow the example of the prize-winning experts and scholars here; display a spirit of pioneering, truth seeking, and dedication; seize the opportunity; constantly scale the heights of science and technology; and make even greater contributions to the country's prosperity and the people's happiness. [passage omitted]

Daya Bay Staff Inhaled Nuclear Dust

HK2801055195 Hong Kong SOUTH CHINA MORNING POST in English 28 Jan 95 p 2

[By Connie Law and Adela Ma: "Daya Bay Exposure Revealed"]

[FBIS Transcribed Text] Two French supervisors at China's Daya Bay nuclear power plant inhaled radioactive dust and suffered slight contamination, the Hong Kong Nuclear Investment Company has revealed.

Spokesman Sandra Mak Wong Siu-chun said, however, that the dosage involved in the January 6 incident was extremely low—only 0.0002 rem units. The acceptable annual dosage for nuclear plant workers was five rems. A Hong Kong resident receives on average about 0.1 rems a year from everyday background radiation. Mrs Mak said such cases were not classified as "incidents" and according to international practice there was no need to report them to the authorities. "We cannot report every sneeze to the Hong Kong Government," she said. The health of the two workers had not been affected.

Friends of the Earth told legislators yesterday they had heard of a recent incident at Daya Bay. The green group urged councillors to ascertain if any workers had suffered radioactive contamination and, if so, why the Government was not notified. Friends of the Earth director Mei Ng said: "We want to know exactly where the problem was, whether it's a lack of communication [between the Chinese side and Hong Kong Government] or their unwillingness to inform Hong Kong." Legislators invited government and nuclear plant officials to a joint panel meeting this morning.

Shanghai's Major Research Achievements in 1994

OW2901113395 Beijing XINHUA in English 1101 GMT 29 Jan 95

[FBIS Transcribed Text] Shanghai, January 29 (XINHUA)—Shanghai, the leading economic center of China, made 1,715 scientific achievements in 1994, 37.5 percent of which reached international standards, scientists said.

Among the outstanding high-tech breakthroughs, a robot developed by the Tongji University is capable of high-speed and high-precision track tracing, with the maximum cutting speed and precision reaching international advanced standard.

The MG-1 sea cable laying system developed by the Jiaotong University is capable of receiving and processing the information sent by the under-water sensor, and displaying the under-water operation on the screen with animated pictures. Its advantages have already been proved in a Sino-Japanese under-sea optical fibre cable project.

New breakthroughs were also recorded in the research of basic and applied sciences. Major progress has been made in the research of such fields as organic chemistry, bio-chemistry, plant physiology. Moreover, new theoretical findings for medical science have also caught international attention.

Scientists said that many of the achievements have already been applied to the industrial, agricultural, urban construction, and medical developments and produced good results, scientists said.

Military & Public Security

Liu Huaqing Urges Development of Defense Technology

HK3001104795 Beijing JIEFANGJUN BAO in Chinese
15 Jan 95 p 1

[By reporters Li Xuanqing (2621 6693 3237) and Liu Yushu (0491 3768 2579): "Liu Huaqing Stresses Need To Accelerate Development of Defense Science and Technology and Weaponry at Second National Conference on Cooperation and Coordination Work in Defense and Military Industries"]

[FBIS Translated Text] At the Second National Conference on Cooperation and Coordination Work in Defense and Military Industries, which ended today, Liu Huaqing, member of the Standing Committee of the CPC Central Committee Political Bureau and vice chairman of the CPC Central Military Commission, stressed: We must seize the opportune time of the end of the Eighth Five-Year Plan and the Ninth Five-Year Plan to push our national defense science and technology and weaponry onto a new stage. The coordinated departments of the military industry must make new contributions to the development of national defense science and technology and weaponry.

Liu Huaqing said: As a veteran fighter on the national defense and military industry front, I am very glad to attend this conference. Cooperation and coordination in the national defense and military industries not only means that we are shouldering the heavy task of enhancing China's scientific and technological strength and economic strength, but also that we are shouldering the heavy task of enhancing our national military strength. At present, we must lose no time to improve the Army's quality in such fields as political and ideological work, military training, establishments and structures, weaponry, training, and logistics. Of all these, the most important thing is to accelerate development of national defense science and technology and weaponry.

In discussing the importance of cooperation and coordination in the military industries, Liu Huaqing emphasized that the development of national defense science and technology and weaponry will help boost overall development of science and technology and the entire country's industrial base. But fundamentally speaking, this also hinges on the entire industrial base and the scientific and technological level of the country. The military materiel, mechanical and electrical products, and instruments and apparatuses manufactured by civilian industrial departments, the Chinese Academy of Sciences, and the State Education Commission are component parts of the weaponry and the foundation for developing science and technology industries for national defense. To enable our national defense science and technology and weaponry to develop faster, it is necessary to consolidate and reinforce this foundation. Thus, we have to further develop the spirit of hard struggle and self-reliance and always base ourselves on our own efforts. We can only rely on our own efforts to tackle difficult problems and work hard to manufacture key coordinated products and to catch up with and surpass other countries. He hoped that the departments in charge of cooperation and coordination in the military industry will have a special sense of historical mission and make unremitting efforts to lay a good foundation for this development.

Liu Huaqing pointed out: The departments carrying out cooperation and coordination work in the military industry form a component part of the civilian industry and a part of the defense science and technological industry as well. It is necessary to study the new situation, explore new channels, sum up new experiences, and reform and strengthen cooperation and coordination in the military industry in accordance with the requirements of establishing a socialist market economic structure. Reform must continue to submit to and serve the basic target of establishing a socialist market economic structure in China and submit to and serve the development of defense science and technology and weaponry.

Liu Huaqing continued: The vigorous development of high and new technologies for both military and civilian use will give an impetus to and promote the formation and development of high and new technological industries in China, which is conducive to the emancipation and development of science and technology as primary productive forces to the greatest possible extent. Most of the cooperation and coordination work in the military industry concerns technologies for both military and civilian use. We can certainly do something in this field first. We must pay attention to turning advanced technologies for civilian use into technologies for military use so that the military technological level can be increased and both civilian and military industries can promote each other and develop simultaneously.

At the conference, Liu Huaqing presented silk banners and certificates of meritorious service to advanced units

and individuals who have made outstanding contributions to cooperation and coordination work in the military industry, and he wrote a few words of encouragement for the conference.

Zou Jiahua, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, attended today's conference and made a speech.

Also present at the conference were comrades in charge of relevant ministries and commissions of the State Council and leading comrades of the General Staff Headquarters and the General Logistics Department of the People's Liberation Army and relevant units stationed in Beijing. The conference opened on 12 January.

General

Minister Predicts Postal Industry 'Rapid' Growth

OW2801042495 Beijing XINHUA in English 0335
GMT 28 Jan 95

[FBIS Transcribed Text] Shanghai, January 28 (XINHUA)—Liu Pingyuan, deputy minister of posts and telecommunications, has predicted that China will witness a rapid growth in its postal industry in the coming five years.

"The booming telecommunications industry cannot take the place of the postal industry," he said, adding that the business volume in the postal sector last year increased 20 percent over 1993, bringing a 37 percent rise in income.

Major efforts will be put into the construction of a nationwide comprehensive transportation network this year, including an airmail route from Guangzhou to Beijing via Shanghai.

The official said the China Posts and Telecommunications Aviation Company is expected to be established during the first half of this year. Three Yun-8 model airplanes have been purchased. When the new airmail network is completed, 60 percent of the mail between provincial capitals will be received on the next day after it is posted, Liu said.

The delivering of gifts and commercial mail will become another major source of income in this field, he said, adding that computerization work and Emergency Mail Service (EMS) business will be upgraded.

Reasons for Modern Enterprise System Reform

HK2701132795 Beijing RENMIN RIBAO in Chinese
8 Jan 95 p 2

[Third of four installments of the "Rectifying Names and Going All-Out" column by staff reporter Mo Xinyuan (5459 2450 0337): "State-Owned Enterprises—Changing System and Blazing New Trails"]

[FBIS Translated Text] The CPC Central Committee and the State Council have explicitly decided that the orientation of reform in state-owned enterprises is to establish the modern enterprise system. That is to say, the modern enterprise system we are going to adopt not only will maintain the socialist principle of public ownership, but also will be suited to the standard requirements of the market economy, and thus will turn large and medium-sized state-owned enterprises into a real dominating force in the market economy.

Why should there be innovation in the enterprise system? What are the main difficulties in the reform? How should we resolve them?

The Deep-Level Contradiction Caused by Mixing Up the Functions of Government Institutions and Enterprises Is Getting More and More Prominent, and the Problem Is Unavoidable

Not long ago, the Chinese Entrepreneurs' Investigation System published a survey, saying that entrepreneurs in

77.2 percent of the enterprises surveyed agreed that the key point of the enterprise reform at present is the "transformation of government functions." This percentage was much higher than in the survey two years earlier.

The mixed-up functions of government institutions and enterprises is a long-standing problem. Why has it become so prominent recently? This is because the reform over the past more than 10 years gradually has resolved many difficult problems in enterprise management and operation through the adoption of measures to leave more profits in their hands and to devolve more management powers to them. These problems were not closely related to the mixed-up functions of government institutions and enterprises, and it was comparatively easier to resolve them. Some explorations were made over many years in the past to handle the mixed-up functions of government institutions and enterprises. For example, the administrative departments' direct interference in enterprise operations was replaced with indirect management, and macroeconomic regulation and control was strengthened. However, such measures were not put into practice effectively, and they did not achieve marked results. Now, it is still hard for enterprises to really operate on their own independently, and to really bear sole responsibility for their business profits and losses.

This is because government institutions in charge remained the decision-making bodies that determined how much profit was to be left in the hands of the enterprises, and how many management powers were to be delegated to the enterprises, and enterprises were not freed from the status of being affiliated and attached to government institutions. The market economy requires that hundreds of thousands of state-owned enterprises be turned into economic entities that participate in market competition as relatively independent legal persons. Only thus can the foundation for the socialist market economy structure be laid.

Over a long time in the past, state-owned enterprises had to perform excessive social welfare functions. The enterprises run by the government had to run various social undertakings. As they were carrying heavy burdens, how could they race against other people? It is rather difficult for them to achieve good results in the race.

Why were state-owned enterprises often short of working funds? As they were managed and controlled by the government, they had to deliver the money they earned to the government, and they had to do this even though they did not have money, so it was natural for them to have few working funds in their own hands. The development of the market economy requires that enterprises be responsible not only for the production and marketing of products, but also for the management of their assets. While the functions of government institutions and enterprises are mixed up, the state-owned enterprises have neither the status of asset possessors nor the power

to manage assets, so it is simply impossible for them to meet the new requirements of asset management. Being constrained by various rules and conventions of the government institutions, enterprise assets cannot circulate laterally, so it is also difficult to actually optimize the distribution of assets, the industrial structure, the production structure, and the enterprise organizational structure. In such circumstances, even enterprises achieving rather good business results find it hard to rapidly expand the scale of operations, and to enhance their market competitiveness. Some enterprises with short-term behavior would just cause losses to the state-owned assets.

Some people summarized this situation in three sentences: "Ill-defined property rights make it impossible for enterprises to really exercise self-management power, the unclearness of ownership leads to irregular enterprise behavior, and the holding of enterprise assets in the hands of the government institutions leads to the mixed-up functions of government institutions and enterprises."

It may not be hard to find, through careful analysis, that many major problems in our current economic life are directly or indirectly, more or less related to the tough problem of mixed-up functions of government institutions and enterprises. For example, inflation may be attributed to many factors, but at a deep level, it is closely related to the ineffectiveness of enterprise reform.

Some enterprises could not achieve high economic efficiency in their operations, and could not offset the increasing costs and overheads brought on by price reform. What they could do was to raise the price of their own products, and this further pushed up price levels as a whole. In other cases, the products of some enterprises were unmarketable and seriously stockpiled, and this tied up large amounts of working funds. When the number of such enterprises increased, they triggered the backfire mechanism, and forced the supply of money to increase. Over a long time in the past, it was always difficult to control the size of fixed-asset investment, and wasteful, duplicative construction also existed to a serious degree. A major reason for this was that the responsibility for the investing bodies was not clear. Many investment projects, in fact, were launched by governments or government institutions. There was no system of bearing responsibility for investment risks, so when making the investment decisions, they simply acted recklessly and took things for granted; when problems occurred, they just quit, without bearing any responsibility.

The Modern Enterprise System Makes Enterprises Play the Part of Asset Possessors, and Thus Offers a Key to the Separation of Enterprise Functions From Those of Government Institutions

In the final analysis, the issue of separating the management and operation of enterprises from the functions of

government institutions is one of determining a proper form of public ownership in the socialist market economy.

The assets of state-owned enterprises are owned by the state. Within the planned-economy structure, there was no problem with this because in those days, the state was like a big factory, and the enterprises were just workshops or work groups of the same factory, in which they only served the overall interests and did not have their own independent interests. After our economy was shifted to a market economy, in addition to serving and safeguarding the state's interests, the enterprises also began to seek their own interests, which became the internal driving force for promoting their development. Thus, the relationship between state and enterprise interests must be clearly and properly defined and differentiated.

When the business contract system was adopted in the enterprises, some people suggested that the state's ownership be separated from the enterprise's management power, but this idea encountered many difficulties in practice, and also produced many negative effects. The two sides—meaning ownership, on the one hand, and management power on the other—often impaired each other. Owing to the absence of the enterprise owner, which existed in name only, there was no owner's control. Enterprises tended toward short-term behavior in their operations, or did not bear responsibility for business losses, while being able to enjoy benefits if profits were made. Some of them even behaved in an abnormal and illicit manner, thus causing losses to state assets and sapping the enterprises' development momentum and vigor. As a result, the incentive and self-control mechanisms could not be built up over a long time.

The "Decision" adopted by the Third Plenary Session of the 14th CPC Central Committee set out the concept of legal person's property rights, and this enabled us to create an "owner" inside a state-owned enterprise under the precondition of maintaining the system of public ownership.

The assets of a state-owned enterprise are owned by the state, and at the same time, the enterprise itself holds a legal person's property rights over the assets within the enterprise. Thus, state ownership and enterprise-legal person's property rights are linked to each other, and also are differentiated from one another. State ownership stresses the final belonging of the assets, while the legal person's property right stresses the independent civil rights of the institution that possesses and uses the assets, as well as its civil obligations, which are subject to the protection of the law.

The legal person's property rights give a concrete form to state ownership in the enterprise. Thus, the enterprise has both the status and right of possessing and managing the state assets, and also bears responsibility for maintaining and increasing their value.

It Will Be a Prolonged Process of Development To Innovate the System and To Separate Enterprises From the Government; Difficulties Will Be Surmounted as Long as We Dare To Make Explorations

The modern enterprise system will enable the asset owner, the manager, and the producer to perform their own functions separately. The owner is not responsible for management, and this will first realize the separation of the government's function in social management from the functions of the state assets owner, and the separation of the supervisory function over state assets from the managing and utilizing functions of state assets. Government institutions will perform mainly the social management function and the state assets supervision function.

Investors under the modern enterprise system will not be government institutions, but will be economic entities that hold legal person property rights over state assets, and have the right to manage and handle state assets in business operations. This will change the situation in which state-owned enterprises are affiliated and attached to government institutions, and in which the state bears unlimited responsibility for the economic results of the enterprises.

The reform oriented to the establishment of the modern enterprise system is an unprecedented, complicated, and arduous systems project. The reform will encounter many contradictions and difficulties. For example, the legal system and the regulations for the modern enterprise system will bring about various contradictions with the reform conditions of the enterprises. So we first should have the courage to further the explorations, and should keep a scientific and realistic attitude, and a prudent work style. In the near future, the work of establishing the modern enterprise system will remain at the experimental stage. We should have the mental preparations to make efforts over a long period of time in order to accomplish the new system.

The party Central Committee has charted a clear course for us to carry out enterprise reform. The theory for enterprise reform also is being continuously developed and improved in practice, and there is an extensive ideological and mass foundation for the practice of reform. We have every reason to believe that through the innovation of the enterprise system, we certainly can resolve the difficult problem of the mixed-up functions of enterprises and government institutions, and blaze a new trail for vigorously developing state-owned enterprises.

Deyang Keeps State Firms Running Profitably

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6 Jan pp 1, 2

[By XINHUA reporters Jin Xiaoming (6855 1420 2494), Chen Yun (7115 5366), and Cheng Jian (2052 1696): "Loss Has Never Incurred in State-Owned Industrial Enterprises in Deyang City Over the Past Seven Years"]

[FBIS Translated Text] Chengdu, 5 Jan (XINHUA)—While many state-owned industrial enterprises are operating in difficulties, and a high percentage of such enterprises are running at a loss, the state-owned industrial enterprises in the city of Deyang, in Sichuan Province, which are covered by the city's financial budget, have been operating loss-free for the past seven consecutive years. Over the past seven years, the economic returns of these enterprises have continued to improve. These state-owned industrial enterprises covered by the city's financial budget have seen their sales income increase from nearly 700 million yuan in 1988 to nearly 1.6 billion yuan in November 1994, their realized profits and tax payments increased from more than 85 million yuan to 160 million yuan, and the net value of state-owned assets increased from 600 million yuan to 1.4 billion yuan. In other words, all these three figures have been roughly doubled.

How did Deyang achieve this? This reporter recently covered this case in the city, and what impressed him the most was that everyone he met in this city, from the staff of the economic departments concerned in the city government to those in every individual enterprise, really has strong a determination to invigorate the state-owned enterprises here. They have been working very hard, and in a down-to-earth manner to optimize their environment, products, enterprises, and management bodies, and they have been trying to explore broad prospects for the growth of state-owned enterprises.

Optimizing the Environment—Everything Is Aimed at Development

A fine environment usually can be a piece of fertile soil nourishing an economy.

When you set foot in Deyang, you will see broad roads, neat streets, and tidy, tall buildings, which give visitors an impression of great vitality. Deyang was upgraded to city status in 1983. Over the past 11 years, the city has invested over 800 million yuan in the three major sectors of infrastructure: communications, energy, and telecommunications. Nowadays, every township in Deyang can be reached by highways, every county can be reached by railways, the city's power transmission network has been linked to the national major power transmission network, and with regard to postal and telecommunication services, domestic and international direct dialing and local telephone automation have been realized. All these achievements have paved the way for rapid economic development.

However, what is more valuable than the "hardware" environment is the human-oriented "software" environment. During an interview with this reporter, Li Yongshou, secretary of the Deyang city party committee, said: "Over the past few years, a view was prevalent in the community which said that 'the state-owned economy is inferior to the collective economy, and the collective economy, in turn, is inferior to the individual economy.' This view, however, has never been readily accepted by

people here in Deyang. This is because: First, from the locality's point of view, 72 percent of Deyang's financial revenue is contributed by state-owned enterprises, and failure to invigorate state-owned enterprises would imply a shortage of local financial resources, which, in turn, would mean smashing our own rice bowls. Second, from the state's point of view, the long-term political stability and stable development of this country, as well as the success of nationwide macroeconomic regulation and control, and the solution to inter-regional economic imbalances, all rest on the success of state-owned enterprises. Third, from the viewpoint of personal interests, we also rely on state-owned enterprises to achieve the target of enriching part of the population first, and to reduce the income gap. Fourth, from the viewpoint of the development of the rural economy, state-owned enterprises serve as the 'coaches' for town and township enterprises. In Deyang, state-owned enterprises are the mainstays of the city's five major industries: machine-building, chemicals, building materials, foodstuffs, and pharmaceuticals. Town and township enterprises in Deyang, most of which grew out of small enterprises like brickkilns, nowadays are playing a part in these five major industries, as well. In achieving this, they have tapped local state-owned enterprises' advantages in terms of human and technological resources, as well as management experience."

Based on this understanding, over the past 11 years Deyang has resolutely and strictly implemented every instruction from the central government and the provincial authorities to delegate power to enterprises, as well as every preferential policy adopted with a view to invigorating enterprises. Almost every state-owned enterprise here has benefited from government policies or measures offering profits or assistance to them in one form or another. As estimated by the city government, over the past few years, the total amount of tax and profit reduction returned by city and county governments to enterprises was more than 200 million yuan per year. Such tax and profit reduction has enabled enterprises to grow, and in particular, has helped some old enterprises recover from recession and reinvigorate themselves. Therefore, when the enterprise reform switched from the stage of delegating power and giving up profits to the stage of reforming enterprise systems, enterprises in Deyang had already grown up strong, with a higher ability to adapt to changes, and a greater potential for future development.

"Devoting more efforts to promoting productivity" is a guideline Deyang has pursued consistently. People in Deyang believe that—given the considerable increase in the cost of communications and transportation, and in the prices of energy and raw and processed materials, and the constant increases in all sorts of expenses, wages, and welfare—enterprises inevitably will suffer losses if the annual growth rate of their sales income is lower than 10 percent. For this reason, over the past 11 years Deyang has always tried to seize every opportunity to speed up development. A relatively high industrial

growth rate supports a relatively wide profit margin, after all the factors causing increases in expenditure are set off.

A fine environment, favorable to enterprise development, cannot be created without reform. Deyang has been leading others in establishing the socialist market economy. Back in 1985, Deyang's city-run, state-owned industrial enterprises had already given up the mandatory plan system and had bravely marched into the market. In the real market competition, enterprises in this city have started reforming three systems, and gradually have developed a full range of internal mechanisms regarding the organizational structure, staff employment, wage distribution, business operation policy-making, product development, and marketing. Meanwhile, enterprise staff and workers also have had their concepts gradually updated. Thus, when mandatory plans play a much less important role and all enterprises are geared to the market, Deyang's city-run state-owned industrial enterprises already have taken a up favorable position and have held the initiative in market competition.

Optimizing Products—To Tap New Profit Sources

Xia Chuandi, general manager of the Deyang fireproof material plant, talked of the following case to this reporter: A few years ago, they began technological transformation in a bid to explore the high-grade fireproof materials market. Later, they installed a firebrick production line. Soon after this production line was put on stream in 1993, the enterprise's realized profit increased by nearly 13 times over the previous year, despite the more-than-doubled tax payments, the 25 percent increase in the income of staff and workers, and the relatively great increase in production costs. Thus the enterprise was saved from losses.

Cases like this are quite common among state-owned enterprises in Deyang. The Sichuan Jinlu Company Limited, which has merged seven enterprises, invested more than 53 million yuan to finance technological transformation projects in the seven enterprises last year alone, thus transforming these enterprises into part of its mutually supporting major industries setup and new sources of profits. The Sichuan Shihua Group Company produced only two products before the 1980's. However, in a short period of more than 10 years, this group company completed more than 10 new projects of a fairly large size and rather advanced standard. Thus a new product mix came into being, composed of more than 20 products falling into five major categories, including fine chemical industries, building materials, feeds, and electric power, with phosphate fertilizer compounds as the key product. This group company made a total profit of 64.87 million yuan in the past four years, which is 1.37 times as much as the total profit the group had made in the 32 previous years since its founding.

A product of high technological value with high added-value and good market prospects usually can become a new source of profits for an enterprise, or it may even serve

as a turning point in the enterprise's efforts to eliminate losses and reinvigorate itself. In recent years, state-owned enterprises in Deyang have been focusing their attention on new sources of profits while constantly pursuing technological transformation, thus keeping up its profit-making ability.

According to Zhao Kejun, the vice mayor in charge of industry, over the past 11 years since the founding of the city, Deyang invested a total of more than 3 billion yuan in the technological transformation of old enterprises, the development of new products, and the promotion of well-received name-brand products. In this regard, among major industrial branches, all chemical industry enterprises and 80 percent of machinery manufacturing enterprises have undergone technological transformation. Now each city-run state-owned enterprise covered by the city budget has one or two products that are well-received on the domestic market.

At the moment, a major fatal shortcoming of state-owned enterprises is that they are operating with obsolete equipment and old-fashioned techniques, thus their products are unmarketable. In a certain sense, the one who takes the lead in launching technological transformation will be revitalized. However, the crux lies in technological transformation's need for money. How did Deyang solve this knotty problem? Mayor Yan Rugao gave the following answer: "We have helped enterprises solve the problem at the government's cost." He said: When we were practicing the progressive financial revenue and expenditure quota system a few years ago, we in Deyang followed a practice by which state-owned industrial enterprises were allowed to keep a pretty large share of the extra profit they earned, with only a modest portion of the profit left to the government, providing that the enterprises had turned over the profit quotas apportioned to them. Since the new taxation system was introduced in 1994, localities first must ensure that 75 percent of the value-added tax is turned over to the central government, after that the localities may share a pretty large portion of the remaining 25 percent and use this amount of money to finance technological transformation projects in those enterprises requiring assistance. Yan Rugao said: With the limited funds available diverted to development projects, enterprises will develop, and everyone will be better off—that is what is meant by the policy of "adopting a long-term plan to secure something big."

Since Deyang's city government and enterprises have devoted great efforts to technological transformation, state-owned enterprises in this city now are basically surviving on the profits derived from sales of new products. New projects and new products nowadays are serving as the major motive force, and have become the main contributors of profits for state-owned enterprises. That is the very reason why state-owned enterprises subordinate to Deyang have managed to operate loss-free over the past few years. Recently, Deyang adopted another measure: From now on, enterprises with more than 1,000

staff and workers each are required to invest at least 5 million yuan in technological transformation projects each year, and such projects should be planned to meet international standards and to suit the needs of international markets. People in Deyang believe that state-owned enterprises can survive and flourish by constantly exploring new sources of profits.

Optimizing Enterprises—Merger and Reorganization Yield Effects

The market economy means survival of the fittest. Enterprise management involves profits as well as deficits, and Deyang is no exception. A great polarization rapidly took place following the conversion of state-owned enterprises from the planned economy to the market economy. Those enterprises that converted their mechanisms were full of vigor and vitality, and their advantages became increasingly conspicuous with each passing day; whereas those enterprises that were slow in converting their mechanisms found it difficult to take any step forward. Within a few years, some of the latter were even on the brink of bankruptcy. In this sense, the great change was also a process of optimizing enterprises.

Then, where have all those state-owned industrial enterprises suffering deficits under the jurisdiction of Deyang gone? Li Yongshou's measure was precisely to adopt the methods of merger and combination, with enterprises suffering deficits merging into those having advantages.

At present, the possible choices for enterprises suffering from deficits are three: First, going bankrupt; second, receiving a "blood transfusion" from the government; and third, merger and combination. Deyang proceeded from the actual conditions in selecting the third way. The industry under Deyang's jurisdiction used to comprise the old enterprises built in the 1950's and 1960's in one category, and the enterprises built in the wake of Deyang's becoming a city in the other. Through market competition over the past few years, a pattern of polarization has taken shape; nevertheless, enterprises in both categories each had their own insurmountable obstructions.

Although enterprises with advantages boasted sound leading bodies, operation, and management, as well as fine leading products, their scope was on the small side, and they were in a stage of rapid expansion, with a thirst for workshops, equipment and technological strength. If they were to rely on their own snowballing in development, the period of input and output would be long, with slow effects. In addition, their existing product advantage could not be rapidly given full play.

However, the workshops, equipment and technicians of enterprises with disadvantages were lying idle, and the enterprises were facing a survival crisis. If they were to go bankrupt, the incompleteness of the social security system might possibly give rise to social instability. If they were to be given "blood transfusions" by the government, it would be quite beyond the latter, with its

limited financial strength; furthermore, some of these enterprises would never stand on their own feet, even with government support, or no longer needed support.

Executive Vice Mayor Yang Youfa [2799 0645 4099] stated that through repeated investigation, research, and demonstration, the city party committee and government came to the conclusion that should the expansion demands of enterprises with advantages be combined with disadvantaged enterprises, where assets were lying idle and could be reinvigorated, then state-owned assets would not be lost. In addition, optimal resource allocation would be achieved so as to comply with the expansion demands of enterprises with advantages, and while providing disadvantaged enterprises with the chance of a rebirth. This being the case, the city party committee and government decided in 1987 to move forward with merger and combination.

In the pursuit of merger and combination, Deyang mainly did the following: First, taking precautions against possible difficulties, mergers would be pursued before the disadvantaged enterprises actually went bankrupt, thus the enterprises accepting them would not meet with excessively increased burdens. Second, regarding those enterprises that actually had red ink on their balance sheets, or were heavily in debt, the government would allow them compensation in policy, meaning that the government would return to the expanded enterprises a part of the newly added profits that should be handed over to the government. The overdue taxes and loan payments of those enterprises being merged would be on credit, with interest payments suspended, and would be repaid gradually when a turn for the better in economic returns had occurred. Third, the role of the merging enterprises in supplementing each other was stressed, whereas the merger of different trades was not encouraged. Fourth, the practice of "matching" would not be pursued; the combination of the enterprises' voluntariness and the government's promotion was implemented. Fifth, complete mergers were pursued, with a merged enterprise being reorganized into a branch of an enterprise with advantages, and with the latter appointing its director. In addition, the assets, workers and staffers of a merged enterprise would come under the unified arrangements of the enterprise with advantages, while enjoying the same the distribution policy with the latter. Sixth, in the course of a merger, the practice of the joint-stock company would be followed, and the non-production departments would be separated from the enterprise in order to set up service development companies. The separated departments would be allowed certain subsidies, which would be reduced year after year, and they were to achieve independence and advance toward society within three to five years. During that period, the government would approve a base for newly added profit of the enterprise, the part exceeding the base would be returned to the enterprise. Thus, the burden resulting from an enterprise taking up social undertakings would be gradually removed.

The implementation of these measures over the past few years has not brought about major social shocks in the merger and combination in Deyang, as play was given to the complementary role of enterprises with and without advantages. For example, the Dongfang electric machinery manufacturing factory was a medium-sized state-owned enterprise with only 1,900 workers and staffers on its payroll, and 21 million yuan-worth of fixed assets. A decade ago, it turned out only one product, with an annual output value of only 12 million yuan. Although the factory had advantages in product and management, it failed to expand over the years. In recent years, it has merged three medium-sizes state-owned enterprises, and eight medium-sized and small collective enterprises one after another; consequently, it has become a large group enterprise with 6,300 workers and staffers, approximately 200 million yuan-worth of fixed assets, and the capacity to turn out some 30 categories of products. Its annual output value, profits, and taxes handed over to the state have increased by a wide margin from 10 years ago, while none of the merged enterprises has become a burden.

At present, 235 enterprises have been merged in Deyang, with some 200 million yuan-worth of assets flowing to enterprises with advantages, some 33 million yuan worth of assets that were lying idle now are playing an effective role, and appropriate work arrangements have been made for some 10,000 workers and staffers of enterprises with difficulties. Compared the situation before and after the mergers, the net value of fixed assets of the city's state-owned industrial enterprises almost doubled. At the same time, their property rights and resource structures have been optimized, and assets in store reinvigorated. The practice of merger has yielded considerable results.

Optimizing the Leading Bodies—To Urge a Cow Onward, It Is Imperative To Lead It by the Nose

Asked why the state-owned industry under Deyang's jurisdiction has achieved zero deficits for seven consecutive years, many Deyang people attributed it to "favorable climatic, geographical, and human conditions." By favorable climatic condition they mean the party's good policy of reform and opening up; by favorable geographical condition they mean Deyang's own resources and industrial advantages; and by favorable human condition they mean precisely that the government has a sound leading body, and the enterprise has a good director.

The leading bodies of the Deyang city party committee and government comprise three categories, with 10 members all told: First, local cadres; second, cadres from large and medium-sized state-owned enterprises; and third, cadres from all over China. They have supplemented each other, and this has formed an advantage. The observer noticed that seven out of the 10 leading cadres have enterprise work experience, and they are quite familiar with conditions there, and are armed with the spirit of doing practical work. Most precious are their solidarity and self-discipline. Although Deyang's city

building has taken on brand-new features, and its enterprises boast modern equipment, the city party committee and government compound remains the simple red-brick bungalow built in the early days when Deyang became a city; they have never purchased any luxurious cars. Mayor Yan Rugao [0917 1172 7559] said: "Over the years, Deyang has grown well-off; however, it is the city and the enterprises that are growing well-off, not the government organizations." They have persisted all along according to the principle: "Practice austerity on ourselves, substantiate enterprises, and augment staying power to accomplish moderate development."

Comrades from Deyang enterprises would love to regard their government as "street sweepers" because over the years, the city party committee and government have persisted in "exerting less intervention, rendering more service, doing practical work, and going down to the grass roots," while removing many obstacles on the way to development. On a dozen or so occasions each year, leading members of the city party committee and government lead relevant departments to do business on-site at enterprises so as to resolve some major issues on the spot. In early 1994, they made a round of all industrial enterprises under the city's jurisdiction. They conducted individual analyses of some enterprises where signs of deficits were surfacing, thereby implementing categorized guidance and formulating unique policies for individual enterprises. When the Deyang fireproof materials factory had difficulties in funds for technological transformation, the government supported the enterprise in transferring 10 million yuan worth of property rights and the ownership of 16.37 million yuan worth shares of a new project to Pangang, thereby resolving the urgent need, while providing a stable market for its products. In early 1994, when the Donggong Group had difficulties in transporting its products to Xinjiang, the city authorities promptly contacted the railway department; consequently, the production of entire the first quarter was shipped.... Making decisions on site has brought about efficiency, as well as economic effects.

Mayor Yan Rugao often said: A good factory invariably boasts a good factory director; to do a good job in state-owned enterprises, it is imperative to do a good job of building enterprises' leading bodies. Over the past few years, Deyang placed great importance on selecting the able to run factories. The general principle is that those who are keen on combat are to be promoted, meaning that those who have accomplishments in expanding an enterprise, elevating effects, and improving the living standards of workers and staffers are to be promoted. The mayor and related departments check on enterprise leading bodies every six months; those who are able may remain in office, while those who are just so-so in their accomplishments must go, and no one's sensibilities are spared.

Prior to 1986, because the director and party committee secretary of the Sichuan Jinglu Shareholding Company, Limited did not get along, the strength of each was

counteracted by the other. The enterprise's output value was only several million yuan, but it was on the brink of suffering deficits. The annual per capita income of workers and staffers was only 1,000 yuan or so, and they were not of one mind. Xia Keqin, deputy chief of the city economic commission production department was appointed director of the factory by the city government, and was concurrently appointed its party committee secretary by the city party committee. As soon as he took office, he carried out reforms of the employment, cadre, and distribution systems within the enterprise in a big way, and gradually set up a new mechanism in conformity with the market economy. Consequently, the company's economic returns doubled each year. In 1993, its after-tax profits were some 40 million yuan. Thus, a factory on the brink of suffering deficits rapidly developed into a group enterprise with the greatest economic strength in Deyang.

Between 1986 and 1993, there were 60-odd cadres at the director and deputy director levels who had been removed from office or demoted because of incompetence in their jobs or merger of enterprises under Deyang's jurisdiction. A number of men of action who were bent on reform, had a strong sense of development, were talented, and who refrained from pursuing personal gain were selected and promoted to leading posts, thus providing effective organizational guarantees for enterprises' high-rate growth. In 1994, Deyang changed past practice of selecting and promoting administrative cadres from fine enterprise leading members, and generally refrained from selecting and promoting party and government cadres from enterprises so as to maintain the relative stability of leading bodies in enterprises with advantages.

Reform, in a certain sense, is a kind of all-directional reorganization. What accounts for the revelation of Deyang's experience lies precisely in the fact that with the city as a support, the comprehensive whole-ranging functions of the city are given play, and thus enterprise internal reform is conducted along with reform of enterprises' external environment in a comprehensive way. Consequently, state-owned enterprises steadily take the road of development in a sound cycle through optimal reorganization of environment, products, enterprises, and leading bodies.

Analysis of Current Inflation Situation

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[Article by Ren Caifang (0117 2088 2455), head of the Urban Social and Economic Survey Group of the State Statistical Bureau: "Analysis of Present Inflation Situation"]

[FBIS Translated Text] Since 1978, as the reform steadily deepened, the previously concealed inflation gradually has surfaced and come out into the open. Three waves of inflation, of varied severity, broke out in

1980, 1985, and 1988. The year 1993 marked the beginning of the fourth wave, and the degree of inflation has been on a steady rise. The rate of consumer price increases rose from the 10.3 percent recorded in January 1993 to 27.2 percent in October 1994. There are still no evident signs that it will go down in the near future. Therefore, it is very necessary to analyze and study the characteristics and causes of the current inflation, as well as potential countermeasures.

New Characteristics of Price Fluctuations on the Market

The full-year nationwide consumer price increase rate for 1994 is estimated at 24 percent, and the rate of commodity retail price increases at 22 percent, representing 20.7 percent and 18.5 percent increases, respectively, over the last inflation peak in 1988, and making 1994 the year of highest price inflation since the founding of New China. The price fluctuations on the market describe a number of curves, with the following new features as compared to previous years:

- A high starting point, a strong momentum of increase, and a long duration. In 1993, consumer prices nationwide increased by 14.7 percent over the previous year. By January 1994, they had risen 21.1 percent over the same month the previous year, after which commodity prices continued on a spiral, from a high starting point, from one month to the next. By October, the aggregate price increases over the same period of the previous year registered 23.7 percent, setting a record high. In terms of the duration of price increases, this has been the first major price increase running for two consecutive years since the start of price reform.
- Commodity prices on the rural market rose rapidly. In January, consumer prices in urban and rural areas across the country rose 22.5 percent and 19.6 percent, respectively, over the same month the previous year, showing a difference of 2.9 percentage points. After that, however, the price increase rate on the rural market picked up steadily by the month, and reached 27.4 percent in October, significantly closer to the 28 percent increase of consumer prices on the urban market for the same month.
- The price increase rates of different regions caught up with each other over the months, with the increase rates in regions of lower prices accelerated and the interregional price differences further narrowed. By September, the average rate in central inland areas caught up and took the first place, with a high 27.9 percent, followed by the southeast coastal regions with an average of 26.4 percent. A 26.3 percent rate was observed in the western regions, which was close to that of the coastal regions.
- The prices of residents' daily necessities rose vigorously, and food prices came to lead the way for the increases of other prices on the market. According to statistics, the per capita spending on 47 subsistence

items in 35 large and medium-sized cities in October reached 175 yuan, an increase of 42.4 yuan over the same month the previous year, and the prices of such items rose by 31.8 percent over the same month the previous year. The catalyst for the latter was the large increases in grain prices. In June, after the purchasing and selling prices of grain were uniformly raised throughout the country, food prices increased by 30.7 percent compared to the same period the previous year, and grain prices by 49.3 percent (of which: the price of rice went up 62.7 percent and that of wheat flour 38.4 percent). The prices of dried noodles, vinegar, soy sauce, cakes and pastries, and dairy products—all using grain ingredients—went up more than 17 percent compared to the same period the previous year. The high inflation of grain prices further pushed up the increases of meat and egg prices. In October, the prices of meat and eggs increased by 60.8 percent and 18.6 percent, respectively, compared to the beginning of the year, and 69.5 percent and 17.1 percent compared to the same period the previous year.

- The prices in the service industry stayed high. From a high starting point, these prices continued on an upward spiral. The average rate of increase in the January-October period was 25.7 percent compared to the corresponding period of the previous year.
- The prices of agricultural production means continued to go up. They increased by 20 percent in the January-through-October period as compared with the same period the previous year. The highest was the rate of increase in the prices of chemical fertilizers. The prices of common farm chemicals, plastic sheeting, and gasoline for farming purposes also continued to rise.
- The price increases for means of production were more level. The estimated rate for the whole year is around 18 percent, down eight percentage points compared to the previous year. The price increases of fixed-asset investment are put at 10 percent or so for the whole of 1994, down 16.6 percentage points compared to the previous year.

Causes and Basic Assessment of Current Inflation

The causes of inflation in China are rather complex. Before 1988, China's inflation, one may say, had been caused mainly by the expansion of demand, but the contribution of the expansion of demand to the current inflation is significantly weaker. The implementation of price adjustments, and of financial and taxation structural reforms; the catalyst of higher salary-related costs; increases in land and financing prices; the unification of exchange rates; and some other factors together constitute the main causes of the current inflation. As China is accelerating the process of moving toward the market, these factors eventually manifested themselves as higher costs, which push up the general levels of market prices. According to a rough estimate, cost factors are responsible for about 70 percent of the 24 percent increase in consumer prices nationwide.

The reason that these cost factors have been unleashed on the market this year and caused a high inflation rate is that the micro basis and the macro environment of the entire national economy have undergone profound changes: The central government's interference in the market has been weakened, and the impact of the behavior of local governments, enterprises, and other economic subjects on economic life has become more and more evident.

The inflation of 1993-94 emerged in a period of accelerated transformation of our economic system toward the market economy. In this process of structural change, the adjustment of interests and technical advancement have had to entail some costs and prices. The current excessively high inflation has brought two major difficulties to economic life: One is that some low-income families in some cities are finding themselves in difficult circumstances, and the income differences between regions and between individuals have further widened. The second difficulty is that the deficits of some industrial enterprises are quite bad, and the risks of price reforms remain.

As things stand now, though the commodity prices have gone up by a wide margin, economic life has shown some positive trends in many ways.

- Important reform measures in pricing, taxation, exchange rates, and the civil service pay scale have been smoothly promulgated and implemented; the economy has maintained a high rate of growth; society has been stable; and residents' income has continued to increase, better preparing them, in both material and psychological terms, for price increases. All these practical benefits have helped the people gradually adapt to the "labor pains" brought on by the reforms.
- The mechanism of pricing determined by the market has been improved step by step, and the percentage of market-regulated prices has increased.
- The irrational pricing of basic products has been further redressed, and price subsidies offered by the state have been further reduced.
- The price scissors between industrial and agricultural products have narrowed. Owing to the higher purchasing prices of grain and cotton, and the higher demand for agricultural products within the agricultural structure, the general levels of purchasing prices of agricultural products this year have increased by a wide margin, while the price increases for industrial products in rural areas have been relatively level, which has significantly narrowed the price scissors between industrial and agricultural products compared to the previous year.
- The income of urban and rural residents has increased significantly, and their living standards have improved continuously. It is estimated that the per capita net income of peasants for the whole of 1994

will reach 1,200 yuan or so, representing a net increase rate of 6 percent after price hikes are factored out. This is a much higher rate than the 3.2 percent equivalent of the previous year. The total per capita income among urban residents is put at 3,470 yuan, up 34.8 percent over the previous year, representing a net increase of 8.7 percent when price hikes are factored out.

Countermeasures and Recommendations for Harnessing Inflation

On the whole, the price index for next year [1995] will be lower than the 1994 figure, but the rate of increase will remain high, and the task of curbing inflation is still going to be arduous.

The 15-year reform has indicated that the key to ensuring a sustained, rapid, and healthy development of the national economy is to handle well the relationship between economic development and inflation control, so as to answer the question of how to maintain relatively high economic growth, and avoid serious or runaway inflation on the basis of higher effectiveness and a better-adjusted structure. The following jobs should be well accomplished next year:

- Enhance awareness of the harm of inflation, and strengthen macroregulation and control. First, the amount of banknotes put into circulation should be well controlled; second, the behavior of local governments should be standardized, so that central government orders can be executed smoothly; and third, the strength of reforms, especially that of price reforms, should be kept at an appropriate level.
- Stabilize the price parities among agricultural products, and between industrial and agricultural products. The price parities among agricultural products, and between industrial and agricultural products, are an issue left over from history and a comprehensive reflection of the economic efficiency of China's agriculture and processing industry. Any large increases in the prices of basic agricultural products will damage the stable price parities among agricultural products, and between industrial and agricultural products, which eventually will lead to a "regression [hui gui 0932 2981]" of the price parities among agricultural products, and between industrial and agricultural products.
- Strictly control payroll growth, and keep it below the growth rate of the labor productivity of the enterprises concerned, or else the catalytic impact of the rising costs and their side effects on market prices may be harder to control than the impact made by higher demand.
- Energetically rectify the circulation field. It is necessary to use legal and administrative means to mete out stern punishment to unauthorized price increases, disguised price hikes, unjustified acts of raising prices

to keep up with the Joneses, fraudulent buying and selling, and profiteering by middlemen, so as to establish a standardized market circulation system.

—Give play to the role of state-run commercial enterprises as the main channel of commerce. Measures should be taken to help state-run enterprises currently engaged in "rice bag" and "food basket" business to stop keeping a monotonous stock and being beaten by free markets in terms of both the quality and quantity of their goods. More importantly, state-run commercial enterprises must be banned from jacking up prices for profiteering purposes. In policy-making, state-run enterprises should be given some preferential terms and subsidies so that they can truly curtail price increases on the market.

—Speed up the establishment of a social security system and a minimum income support system. It is necessary to pay attention to, and show concern for the livelihood of poverty-stricken households in urban areas for the sake of maintaining social stability.

*Article Views Causes of, Remedies for Inflation

95CE0189A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 45, 14 Nov
94 pp 20-23

[Article by Xie Minggan (6200 2494 0051): "Economy's 'Soft Landing' Within Reach"]

[FBIS Translated Text] Since 1993 fast economic growth in China has been accompanied by high inflation. Nationwide social commodity retail prices rose 13.2 percent in 1993 over a year ago, and jumped another 21.9 percent between January and September 1994 compared with the same period in the preceding year. Retail prices are projected to increase 18 percent or so for all of 1994, greatly exceeding the original target of 10 percent, and making 1994 the fourth consecutive year in which China experiences double-digit inflation. High inflation has unnerved people in the economic community both at home and abroad because it hampers sustained, rapid, and healthy economic growth; makes it harder to strike the right balance among reform, development, and stability; and undermines the confidence of overseas investors to a certain extent.

How did the latest round of inflation come about in China? What is its development trend? Can the Chinese economy pull off a "soft landing"? This article attempts to analyze these issues which have attracted widespread attention.

Main Cause: A Bloated Money Supply

As its name suggests, inflation means having too much money in circulation, more than the normal functioning of the economy needs. The economic experience of every nation indicates that if the money supply increases faster than the GNP, inflation will ensue. This is precisely what has happened in China. Since 1990 the money supply in

this country has been increasing at a brisk pace year after year, much faster than the growth of the GNP. In 1990 the money supply narrowly defined (cash plus deposits directly available to settle accounts) climbed 20.2 percent while the money supply broadly defined (cash plus miscellaneous deposits) rose 28 percent. During the same year, however, the GNP increased a mere 5.9 percent. In 1991, the money supply expanded 23.2 percent and 26.5 percent respectively, depending on the definition used, while the GNP rose 7.3 percent. Corresponding figures for 1992 were 35.7 and 31.3 percent, with the GNP increasing 13 percent, and for 1993, 21.6 percent and 23.7 percent, with the GNP up 13.4 percent. It is clear that the size of the money supply is double to quadruple that of the GNP, which inevitably leads to high inflation.

The principal cause of a bloated money supply is the overly rapid increase in fixed assets investment. In 1991, fixed assets investment in all society stood at 550.9 billion yuan, a gain of 23.8 percent (or 10 percent after adjusting for inflation). The corresponding figures for 1992 were 785 billion yuan and 42.6 percent (actual rate of increase over 20 percent) and for 1993, 1.1829 trillion yuan and 50.6 percent (actual rate of increase about 22 percent). Total investment for 1994 is expected to top 1.55 trillion yuan (versus the target of 1.3 trillion yuan under the plan). The rule of thumb is that fixed assets investment should be limited to below one-third of the GNP in order to avoid over-investment vis-a-vis what the economy can bear, which would result in inflation. In each of the past two years, however, China exceeded this limit. The large-scale expansion of fixed-asset investment caused the total amount of credit to balloon by a similar margin, which, in turn, drove up the prices of commodities of an investment nature as well as those of energy, raw materials, and processed goods. When these prices went up, so did the production costs of enterprises and the prices of their products. Moreover, experience shows that about 30 percent of the funds in fixed-asset investment projects are converted into consumption funds, directly boosting market retail prices in a big way.

Overinvestment itself is the result of several factors. For instance, economic development in China over the past few decades has been of the extensive type, with an emphasis solely on growth rate. Everybody went after projects to increase output value, accelerate growth rates, and improve the bottom line. In evaluating local and enterprise cadre performance, our emphasis also was on output value and growth rate. The investment system was lopsided. For years people lived off funds. There was no linkage between investment and responsibility, between investment and return. People all wanted to put together more and more projects to accelerate economic growth and thus achieve a more comfortable standard of living as soon as possible.

The excessive growth of the money supply was caused by other factors as well. For example, industrial output has been increasing too rapidly, with a sharp increase in the

amount of working funds needed. Enterprises have been mismanaged and inventories of unsold goods have been mounting. Many enterprises are losing a huge amount of money and have to dip into their capital and investments to survive. Large sums of bank loans and working funds have been tied up or lost outright. There is disorder in the banking industry, complete with irresponsible inter-bank lending, fund-raising, and apportionment. Banks go into the business of putting up enterprises and practice usury. Circulation channels have been blocked or overextended. Trading behavior has not been standardized. Products stay in the circulation arena far too long, tying up too much working funds. Consumption funds have increased too fast, as has government spending. Government credit is disorderly, and so on and so forth.

Inflation Has Many Causes, Not Just One

The overexpansion of the money supply is the root cause of inflation. An in-depth analysis of the latest round of high inflation in China shows that it is the product of a multitude of factors working together, not the outcome of a single factor. Apart from the economic growth related causes mentioned above, that is, economic overheating and investment explosion, there are other reasons:

The economic reform factor. China's price system was grossly distorted under the old economic system of central planning. Market prices were wildly out of step with actual costs, which gave rise to many problems, one of them being hidden and therefore not readily detectable inflation. Then China embarked on reform and started decontrolling prices and sorting out the price system, making it imperative that prices correctly mirror costs. As a result, hidden inflation was unmasked and manifested itself as price increases. More and bolder steps were taken to decontrol prices this year than last year. For example, the prices of coal and urea were deregulated and those of crude oil, natural gas, and electricity were adjusted upward, as were the procurement and selling prices of grain and cotton. These moves drove up the prices of a host of commodities as well as the fees charged by many public utilities and services, and boosted the price index by 6 to 8 percentage points, according to calculations by the departments concerned. Price increases this year can also be traced to the lifting of price controls on a string of commodities last year and the decision by some localities this year to adjust and deregulate prices on their own. In addition there has been reform in many other areas. They include wage reform, consisting mainly of pay raises for public employees (under the plan total payroll this year is expected to exceed last year's by 18.4 percent); tax reform, notably the introduction of a value-added tax and uniform enterprise income tax; foreign exchange reform, dominated by the abolition of the dual exchange rate system; foreign trade reform, composed largely of changes to integrate the Chinese system with the international system; housing reform, primarily the commercialization of housing; and the establishment of a social

security system. All of that has affected prices directly or indirectly to varying degrees by jacking up the production costs of enterprises or boosting prices and the actual spending of the masses.

The market supply-demand factor. To develop a market economy, commodity prices must sooner or later comply with the principle that prices reflect costs and be determined by market supply-demand relations. Since China's traditional price system and the entire market system were distorted and closed, we had no choice but to deregulate prices and open up the market, which inevitably leads to rising prices. As the economy developed and the public's living standard went up, the demand for all sorts of consumer goods, in terms of both quantity and variety, also increased. There has been a rising demand for better quality products at the upper end of the market. Meanwhile, Chinese agriculture has been lagging behind, failing to keep pace with the demands of a fast-growing industrial sector. Agricultural byproducts and related commodities are chronically in short supply. Based on experience, it would be appropriate for industrial and agricultural output to increase at the ratio of 3:1 or so, but we have exceeded this rate repeatedly in the last several years. This year China was badly hit by natural disasters and agricultural output fell in some areas, making the shortages even more acute and sending prices soaring. Not only is there an imbalance between industry and agriculture, but the structure within industry is lopsided, as is that within agriculture. The result is that some commodities are overstocked while others are in short supply. The prices of the former remain at elevated levels because of the need to recoup costs, while the prices of the latter are abnormally high.

The supervision and management factor. The market economy is an economy of the rule of law. Take away the rule of law, and chaos is bound to occur in the course of building a market economy. Right now China is going all out to accelerate economic lawmaking, intensify the administration of justice, and step up supervision and management of market activities. But what has been done is woefully inadequate to meet the needs of economic development, reform, and opening up to the outside world. Dominating a trade or industry, cornering the market, jacking up prices, cheating and milking customers, raising prices and charging fees arbitrarily, making false claims in advertisements, passing a bogus product off as the genuine article, engaging in improper competition are all widespread phenomena adding fuel to the flames of inflation. At a time when supply and demand are out of step with each other, when market order is not standardized, when the legal system is not comprehensive, and when supervision and management are halfhearted, the masses often psychologically expect prices to go up, which tends to have a self-fulfilling effect in due course.

It can thus be seen that inflation and price increases have multiple causes, not a single cause. In the short haul, inflation may be the result of one particular cause (rising

food prices, for instance). Fundamentally speaking, however, and in general terms, inflation is the outcome of several things working together, such as economic development, reform, markets, and the rule of law. Thus it must be managed with a mix of measures.

Handle Inflation Correctly, Tackle It With Multi-Pronged Approach

Even in a nation where the economy is developing at a normal pace, inflation and price increases are inevitable and perhaps even necessary, not a sign of economic deterioration. If inflation is inevitable in a normally developing economy, it is downright unavoidable when an economy is developing rapidly or extraordinarily rapidly. The key is to contain it within reasonable limits. Specifically, the growth of the money supply must be slower than that of the GNP, and retail price increases must not exceed the income growth of urban and rural populations.

As noted above, inflation is in part the corollary of economic reform. It is known for a fact that in some nations which use the "shock therapy" approach to reform, inflation has surged out of control. China's incremental model of reform, particularly its price reform which combines regulation with decontrol and seeks to achieve objectives gradually, is more reliable and cautious. Be that as it may, prices in China too have gone up steadily. Should reform be intensified, prices would jump even more sharply. We may say this is the price we must pay and the pain we must endure to establish a socialist market economy and sort out all economic relationships. The key is to rein in inflation so that it stays within limits acceptable to the state, society, enterprises, and the masses.

Although inflation is unavoidable and we need not be overly alarmed about low inflation, we absolutely must not take it lightly. Some economists and economic officials propose stimulating and energizing the economy with a small dose of inflation, an undesirable course of action for a large developing nation like China. This is because it is difficult to know exactly how much is "small." China has a low tolerance threshold for inflation. Once we exceed what is considered "small," a string of serious problems will occur. For instance, the personal interests of the masses will be harmed, to the detriment of social stability and people's livelihood; income gaps will widen, driving down the real earnings of wage-earning strata dependent on fixed incomes, among other things; normal production, construction, circulation, and trade will be hindered; economic accounting will be affected and the burden of costs will get heavier; the deepening of reform, especially price, financial, and circulation reforms, will be prevented, perhaps even forcing us to reverse some specific reform measures or abandon a number of regulatory tools; the costs of foreign investment will be increased and the confidence of foreign investors undermined; speculative activities designed to reap staggering profits in illegitimate ways will receive a further boost; market order will

be disrupted; the optimal allocation of resources will be interfered with; and the sound adjustment of the industrial structure will be affected, to name just a few. It is now universally recognized that high inflation is a "public hazard" that poses a severe threat to economic life. We must take it most seriously and tackle it in earnest.

Needless to say, we should rely primarily on economic and legal tools to bring inflation under control in a market economy. Among economic tools, the most important is the use of interest rates for leverage. Market economies typically use interest rates to regulate the economy and check inflation. Currently in China this tool is not yet flexibly deployed; interest rates here still do not go up or down in response to changes in the economy. Faced with high inflation, banks should raise interest rates on loans and deposits, which already have slipped into negative territory. But there is the perennial concern that enterprises would not be able to cope with higher interest rates on loans or that banks could not cope with value-protected deposits or with interest rates on deposits that are higher than the rate of inflation. This is contrary to the general principles of a market economy and in fact sacrifices the interests of the masses. What we are doing is to accommodate and protect the backward and pay a price in reform delay. Low interest rates whet demand for and indiscriminate use of funds, which encourages the scale of investment to expand while dampening public enthusiasm to save, which, in turn, fans the flames of inflation. Moreover, higher interest rate may be combined with a preferential policy for those units which currently have access to low-interest loans. In any case, a majority of units that take out bank loans these days are key enterprises or priority projects which are fairly profitable and should be able to cope with higher interest rates.

Turning to legal tools, the first thing we should do is to speed up lawmaking in the areas of finance, market, and prices so that there are laws and rules for people to follow. Next, supervision, management, and the administration of justice must be intensified to preserve legitimate market competition. Furthermore, legal tools must be used in conjunction with social tools such as exposure through the media, public opinion, and mass organizations like consumer associations.

The use of administrative means to check inflation has drawn a lot of criticism. The fact of the matter is that administrative intervention, including price controls, state monopolies on purchasing, and exclusive rights to buy and sell, is necessary during the transition from the old system to the new when the framework of the new system has yet to take shape, when economic and legal tools, still imperfect, are not yet operating in full force, when some commodities are in short supply, and when the situation is critical. Administrative intervention is not unusual even in developed market economies. Hong Kong, for instance, maintains a rice reserve and follows an import quota system under which the government

designates some companies as exclusive rice importers, sets the amount of imports, limits the sources of imports, determines how the quotas are to be distributed, and controls the level of the rice reserves to ensure the stability of the rice market. The Hong Kong government also imposes strict controls on the level of fees charged by public utilities that are monopolistic in nature and are vitally important. All this constitutes a high degree of administrative intervention. A market economy cannot be developed with absolutely no administrative intervention; intervention when failure to do so would ignite a social crisis; or intervention when economic and legal tools fail to work. Certainly, one must not intervene indiscriminately; intervention must be done just right. The principle is to draw the line at hurting the initiative of microeconomic units.

When Will Economy Achieve "Soft Landing?"

What are the economic development trends in China? Many overseas economists as well as individuals in the business community take an optimistic attitude. World Bank officials believe the economic problems China is experiencing today go hand in hand with economic growth, so they have no reason to feel pessimistic about China's development prospects. Some people believe that the Chinese economy has already successfully entered a "soft landing" mode. However, there are others both at home and abroad who are skeptical about whether China can effectively bring inflation under control and achieve an economic "soft landing."

A so-called soft landing refers to a fast-growing economy gradually easing its pace to a proper level, with economic life remaining largely stable and turbulence-free in the process. Analyzing the Chinese economy by this criterion, we see that:

- The economy has kept up a fast pace of growth without major ups and downs. As of September, the GDP growth rate had slowed to 11.4 percent and a gain of 11 percent or so is projected for the entire year, still higher than the 7.9 percent which experience shows is a more appropriate rate.
- The overexpansion of the scale of fixed-asset investment has been brought under control. Fixed-asset investment in all society rose 25.2 percent in the first half of the year compared with the same period a year ago, 36 percent lower than the growth rate recorded earlier. Nevertheless, total fixed assets investment this year is expected to hit 1.55 trillion yuan, up 18.3 percent effectively from the preceding year and still too high.
- The inflation rate is headed downward but retail prices still rose 20.9 percent in September and are expected to climb 17-18 percent for all 1994. Retail prices have remained at a stubbornly elevated level, a far cry from the planned rate of under 10 percent.
- Urban and rural household incomes continue to go up. Between January and September the per capita

income among urban dwellers effectively rose 6.8 percent over the same period last year after adjustment for inflation. Per capita real cash income among peasants also rose 10 percent. Bank savings deposits have been increasing at the average monthly rate of 50 billion yuan since the beginning of this year.

- The market continues to boom. Between January and September total retail sales of consumer goods in all society effectively rose 1.6 percent over the corresponding period last year. Some commodities are slightly overstocked. For about 8 percent of the commodities on the market, supply exceeds demand, but most of them are upscale products. The sales of daily necessities, on the other hand, remain strong and some commodities are in short supply, so we are now turning to imports to boost supply. The market as a whole shows no signs of sluggishness.
- Foreign exchange reserves stood at \$39.837 billion at the end of September, \$19 billion more than the beginning of the year. The exchange rate held steady and has actually inched up a tad, from \$1:8.71 early in the year to \$1:8.52.
- Market order and financial order have improved. Trading disorder and pricing irregularities have been checked and cases of irresponsible interbank lending and fund-raising have largely been eliminated. State enterprises have trimmed their losses. Government revenue has increased substantially; no longer is the treasury overdrawing its bank account.

We can see from the above that, unlike 1988 when China put the brakes on its economy in a hurry to rein in inflation, this time around the country has taken a different "easy-does-it" approach. As a result, there has been no major disruptions in economic life and the national economy is gradually returning to normal. It may be said that the entire economy is slowly pulling off a "soft-landing" and the development trend is good. But half a year to one year is needed to accomplish a full soft landing. By then economic growth will have decelerated to about 9 or 10 percent and the rate of inflation 12-13 percent. If we keep up the effort a little longer after that, we can expect the economy to have entered a positive cycle.

Statisticians Begin Using International Standards

OW3001115195 Beijing XINHUA Domestic Service in Chinese 2105 GMT 21 Jan 95

[By reporter Zhang Jinsheng (1728 6930 0524)]

[FBIS Translated Text] Beijing, 22 Jan (XINHUA)—With deepened reforms carried out over a long period in China's statistical work, the country has established a basic framework of new accounting systems at both the state and provincial-municipal-autonomous region levels. This shows that international standards have begun to be used in China's statistical work.

With reforms being carried out over a long period of time, China's statistical work has gradually broken the closed nature created by the planned economy. With major reforms carried out in the national economic accounting system, the statistical indicators system, and the system of statistical survey methods, the country's statistical work has been transformed from the old material products balance system to the new system of accounts for national economic accounting [guo min jing ji he suan zhang hu ti xi, 0948 3046 4842 3444 2702 4615 1600 2073 7555 4762]. This has enabled statistical work to meet the demand of building a socialist market economic system.

As early as the beginning of the 1990's, the State Council decided to establish a new national economic accounting system. To carry out the work, statistics departments have done a great deal of foundation-laying, instituted reforms concerning statistical legislation, and established a framework for a statistical index numbers system that is in line with the new economic accounting. This has enabled some old indicators showing the quantity of goods produced to be replaced with new internationally-used indicators. Adopting a new national statistical statements and reports system has made basic statistical data available for conducting national economic accounting work, and has enabled the country's statistical work to begin to merge with the international statistical system.

Last year, in deepening reform of the statistical system, the State Statistics Bureau began to reform the statistical survey system. It proposed establishing a new statistical system based on periodic general surveys, using regular sampling surveys as a main source of statistical data, substantiated with selective investigations and scientific computations. This involves a comprehensive application of various methods. With the State Council's approval, this new system has begun to be implemented systematically.

A nationwide general survey of the tertiary industry was conducted in 1994, and phased-results were achieved. A nationwide general industrial survey and a sampling survey of one percent of the country's population will be conducted this year. At the same time, preparations will be made for a general survey of statistical units in 1996 and for conducting a nationwide general agricultural survey in 1997. In addition, work in automating the processing of statistical data has been speeded up, and statistical legislation has continued to improve. All this has effectively contributed to bringing China's statistical work in line with international practice and standards.

Rapid Development Seen in 1994 Labor Exports

HK2901083095 Beijing ZHONGGUO XINWEN SHE
in English 0626 GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (CNS)—China saw a rapid development of labour export last year. Between January and November 1994, more than

15,000 contracts on labour export were signed with a contracted business value of US\$ 6.5 billion and actually realized a business turnover of US\$ 4.7 billion in the year. All these figures were much higher over 1993, said at the recent working conference on labour export from the country, which was held in Changsha, capital of Hunan Province.

By the end of November, 1994, China accumulatively had more than 60,000 contracts on labour export with a total contracted business value of US\$ 38 billion.

A series of provisional regulations, such as on permits or training of export labour, were promulgated by the Ministry of Foreign Trade and Economic Co-operation in 1994.

More than 140 enterprises were newly approved in China to undertake labour-export-related projects in 1994, adding up to over 450 in total, greatly strengthening China's competitiveness in international labour-export market. According to statistics, nine companies in China were among the 225 biggest contract companies in the world.

To raise the quality of export laborers, China established a training system. In 1994, the Ministry of Foreign Trade and Economic Co-operation set up about 70 centers across the country to offer training services to export laborers, which helped export laborers know more about laws, languages, policies and customs in those foreign countries and regions where they were going to work as well as improve their working skills.

News Analysis Views Government Housing Projects

OW2901022495 Beijing XINHUA in English 022 GMT
29 Jan 95

["News Analysis: Chinese Government Regards Housing as Priority"—XINHUA headline]

[FBIS Transcribed Text] Beijing, January 29 (XINHUA)—China will inject 160 billion yuan (about 18.8 billion U.S. dollars) into the real estate sector this year, double the amount of the previous year, and 80 percent of the funds are to be used for the construction of houses.

Premier Li Peng has pointed out that the emphasis of real estate development should be on the construction of houses.

The government has set a target for the country's urban citizens with no less than three or four sq m of living space per capita by the end of this year, and no less than six sq m by the year 2000.

China has also outlined a project so that by the end of this century people's per capita living space will reach eight sq m, and every household will have a relatively inexpensive and comfortable house.

Housing has been a government priority over the past few years.

The per capita living space rose from 3.6 sq m in 1978 to 7.7 sq m in 1994.

Meanwhile, construction of 51 residential areas on an experimental basis in 46 cities, had been finished by the end of 1993.

However, China still has over four million households whose per capita living space is no more than 2.5 sq m.

It is calculated that, to attain eight sq m per capita in 2000, some 165 million sq m are needed to be constructed each year in the 1990s, on average.

Last year China finished 200 million sq m of housing construction, well ahead of the state-set quota.

The government started reforms in the early 1980s to solve the housing problem, despite a shortage of construction funds.

The Chinese have for decades benefited from low rents and high government subsidies. This added a huge burden to the state budget.

Reform of housing requires individuals, work units and the government to share the funds for construction. The steps in the reform are first to raise rents and then encourage people to buy commodity houses.

But in recent years the prices of commodity houses have soared to an unbelievable high. According to statistics, in 1993, on an average nationwide, a worker needed to pay 35 times his annual income to buy a 55-sq-m house. In 1982, however, he needed only 15 times his annual income for the same purpose. From 1992 to 1994, commodity houses totalling 50 million sq m were stockpiled in the country.

This year, the Anju ("comfortable housing") Project, a governmental program that aims at building more houses for low- and medium-income urban citizens, will be started in some large cities.

Funds for the project will come from loans, local housing foundations, revenues from sales of houses, and other sources.

Apart from the Anju project, the government is set to strengthen macro-control over the prices of commodity houses, making the prices acceptable to more people. A law governing the management of urban real estate development went into force on January 1.

In addition, the Ministry of Construction is planning measures to cut miscellaneous charges for construction to push down the construction cost of houses, and to encourage building low- and medium-standard houses with preferential policies.

To make the living environment more comfortable, the Ministry has constructed pilot residential areas since

1986. The quality of these residential quarters is guaranteed, shopping is convenient and the surrounding environment is well designed. The residential areas are believed to represent the future of Chinese living conditions.

Officials with the Ministry of Construction expressed the confidence that, though facing pressure from the growing population, people will see improvements in their housing standards.

Xian Aircraft Company Builds Small Aircraft

OW2701140795 Beijing XINHUA in English 1342 GMT 27 Jan 95

[FBIS Transcribed Text] Xian, January 27 (XINHUA)—China's Xian Aircraft Company has begun building the Eaglet-100, the highest quality and lowest priced small aircraft of its kind in China.

According to the company, the airplane, designed by the Xian Aircraft Design and Research Institute, has a length of 5.51 meters, and a wingspan of 9.75 meters.

It can fly at a maximum speed of 110 kms/h for two hours and 15 minutes, has a maximum take-off load of 338.5 kg, and can fly at a maximum altitude of 3,000 meters.

It can carry two people and can take off and land on only 20 meters of runway, including hard surface or grass, and with its light weight and ease of handling, it can glide down safely, even if the engine stops.

With a sticker price of 110,000 yuan (about 13,000 U.S. dollars), the plane can be widely used in sports, flight training, aerial photography, and tourism.

After 30 minutes on the plane's debut flight, a pilot, Lu Xiaoying, from the China Beijing Aviation Club, said that the plane was easy to handle.

According to the Xian Aircraft Company, many domestic customers have shown an interest in the small craft. The first three were bought by the Shantou Aviation Club in south China's Guangdong Province.

Finance & Banking

Zhu Rongji Encourages Development of Securities Market

HK3001070295 Beijing ZHONGGUO ZHENGQUAN BAO in Chinese 20 Jan 95 p 1

[Article by Zhu Rongji: "Actively and Prudently Conduct Experiments"]

[FBIS Translated Text] The establishment and development of the securities market in contemporary China is an important matter [yi jian da shi qing 0001 0115 1129 0057 1906] in reform and opening up. On the one hand, it signifies new progress in the building of the socialist market economic system, and on the other it brings with

it complicated and unprecedented problems while injecting new vigor into the national economy. Facing such a completely new subject, we must actively and prudently carry out experiments and continue to study the new conditions and resolve new contradictions. Beginning with its first issue, the YEARBOOK OF CHINA'S SECURITIES MARKET [zhong guo zheng quan shi chang nian jian] should faithfully and completely track the development of the securities market every year and try hard to upgrade to theory the experiences that are summed up in practice, so as to enable China's securities market to gradually mature.

In recent years, China's securities market developed from nothing to something, from small to large, and from domestic to abroad; it developed very rapidly, yet the road was not smooth. During the tortuous and difficult exploration, people have gained knowledge that cannot be learned from books and have established many concepts that can hardly be established without practice. Since 1992, when the Securities Commission of the State Council and the China Securities Supervision and Administration Committee were established, the establishment of regulations for the securities market and routine administration have improved markedly. The relevant departments of the State Council, and the governments of various levels and their securities supervision and administration departments, have made positive contributions to establishing a standardized securities market order.

From now on, we have a long road to travel to build a standardized, mature, and open securities market in China. I hope that China's securities market can make progress every year, and that the YEARBOOK OF CHINA'S SECURITIES MARKET improves year after year.

The author of this article is Zhu Rongji, Standing Committee member of the CPC Central Committee Political Bureau, vice premier of the State Council, and chairman of the Securities Commission of the State Council. This article is the preface he wrote for the just-published YEARBOOK OF CHINA'S SECURITIES MARKET. The headline was added by this newspaper [preceding paragraph published in italics].

Efforts To Standardize Futures Market in Shenzhen

OW2601163795 Beijing XINHUA in English 1548
GMT 26 Jan 95

[FBIS Transcribed Text] Shenzhen, January 26 (XINHUA)—Thanks to its standardization efforts, South China's boomtown of Shenzhen had sustained development in its futures market last year.

According to recent statistics, trading on the Shenzhen Joint Non-Ferrous Metal Futures Exchange in 1994 reached 158.17 billion yuan, five times the amount for 1993, with more than 8.55 million tons of metals handled.

In addition to the various kinds of metals, other products, such as sugar and corn, were also traded on the exchange for a total of 5.32 billion yuan.

The metals traded also include copper and lead. Some 2.81 million tons of the former was traded, at a value of 66.8 billion yuan, and 5.732 million tons of the latter, worth 91.18 billion yuan.

The number of member companies, which has jumped to 224, is dispersed through 25 provinces, municipalities, and autonomous regions, as well as Hong Kong and Macao.

This is the country's first experimental futures exchange approved by the State.

Tianjin Bids for Third Stock Exchange

HK2901082595 Beijing ZHONGGUO XINWEN SHE
in English 0647 GMT 27 Jan 95

[FBIS Transcribed Text] Tianjin, January (CNS)—Mayor of Tianjin Mr. Zhang Lichang said that the central government was now considering which city will be chosen as the site for the will-be-set-up third stock exchange in the Mainland. He said Tianjin was striving for establishment of the exchange and had applied for examination and approval of the central government. Since Tianjin enjoys a natural deep water port and a consolidated industrial basis with its tertiary industry rapidly developing in recent years. Its social retail sales value reached RMB [Renminbi] 29 billion last year, after taking into account the inflation factor, the real increase of such a value was 16 percent over 1993. The Mayor is in full confidence in the City's competition with other bidders.

Mr. Zhang said except for the bankruptcy of the Tianjin Bohai Brewery which was purchased by the Australian Foster Brewery, none of the state-owned enterprises would be offered for public bidding or be put up to auction within this year, because the municipal government did not want to see more state-owned enterprises go bankrupt without proper arrangement. The City had applied for funds of RMB 700 to 800 million from the central government in recent years for upgrading of its old enterprises. In addition, more than 80 old enterprises had been upgraded by utilizing of foreign capital in 1994.

The Mayor said the City produced 100,000 vehicle engines last year and some 150,000 new vehicles were expected to be turned out this year. If there is investment from foreign countries or regions in the City's automobile industry, the output of vehicles in the City this year is expected to increase to 300,000 in number. Tianjin controls inflation according to the condition of its residents' wage, as a result inflation rate last year in the City ranked the third lowest in the country.

Vice-president of the Tianjin Branch of the People's Bank of China, Mr. Qi Fengchang said the Branch's application for establishment of local cooperative bank

had been initially promised by the State Council, but official approval for the bank would not be acquired until implementation of the central government's regulations on management over cooperative banks. He stated there were three plans for establishment of such banks. First is to transfer the urban credit cooperatives to be branches of the cooperative banks. Second is to turn some urban credit cooperatives into shareholders of the cooperative banks. Third is that the urban credit cooperatives can be run according to the above-mentioned first or second plans. The vice-president said the municipal government tended to choose the second plan and some RMB 300 million was already available for the establishment of the cooperative bank.

***Article on Internationalizing Shanghai Stock Market**

95CE0168B Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 10, 11 Oct 94 pp 59-61

[Article by Shen Pei (3088 3099), president of China Southern Securities Co., Ltd.: "Strategies To Internationalize Shanghai Securities Market"—edited by Wang Fuzhen (3769 4395 3791)]

[FBIS Translated Text] 1. Basic Requirements for Internationalizing Shanghai Securities Market

Judging from the history of the development of international securities markets, the Shanghai securities market must meet the following requirements if it is to be internationalized:

Market openness. That is, foreign capital must be able to enter or leave the market freely. Foreign companies should be free to apply to trade on the market. It must be a unified market open to foreign investors and securities companies. Provided they comply with basic regulations and submit to unified management of the securities industry, as well as macroeconomic regulation and control by the state, foreign investors and securities firms should be on a level playing field with their domestic counterparts and have equal right to participate in the market.

A standardized market. It must be a market that has Chinese characteristics but also complies with international practice, a market whose operations and management are primarily guided by a comprehensive legal system. It must be a market where the three principles of openness, fairness, and justice find full expression, a market which runs steadily and whose management is rigorous and orderly.

A central market. This refers to a market that occupies a pivotal position and plays a leading role at home. Before it becomes an international securities market, it must first and foremost operate as the center of the domestic securities market. That way it will build up an international reputation and standing and be able to attract domestic and foreign investors and securities firms,

especially the latter, to participate extensively in it, gradually maturing into an international securities market.

A modern market. A market that accommodates both a tangible market and an intangible one, is fitted with modern communications technology and equipment, and can operate within an extensive area. It must have a full range of market elements and offer a comprehensive system of services, along with a coordinated set of software and hardware.

A market featuring a comprehensive regulatory and control system. It must feature an appropriate regulatory and control system with coordinated regulatory and control measures, dominated by indirect regulation and control. The modern market economy determines that a modern securities market be one under indirect regulation and control, not one completely and spontaneously regulated by the law of value, but one that is consciously regulated on the basis of considered regulations. Only such a market can develop steadily and meet the goals and demands of the nation's macroeconomic policy.

2. How the Shanghai Securities Market Falls Short

After a dozen years of development, the Shanghai securities market has grown to a substantial scale and reached a fairly high standard. It has contributed to the economic development of Shanghai and even the entire nation and to the reform and opening policy as well. With a sound operating environment, it presents a strong case for internationalization. Since last year, in particular, the Shanghai securities market has been growing by leaps and bounds, a development that displays three major characteristics. First, the scale of the market has expanded swiftly. As of 10 May 1994, a total of 189 kinds of A and B shares were traded, including 161 A shares, more than double the number at the end of 1992. The combined value of the stock issued was 39.9 billion yuan, 35.24 billion yuan more than late 1992, a 7.6-fold gain. Their total market value reached 244.2 billion yuan. For all 1993, 245.4 billion yuan worth of shares changed hands on the market, 213.9 billion yuan more than 1992, a 6.6-fold increase. Second, the range of securities products available has been diversified. A variety of new products are now traded on the market: A shares, B shares, equity securities, treasury bonds, enterprise bonds, and funds. Companies which have issued stock on the market come from a broad array of industries and trades. The Shanghai securities market was the first in China to create a classified index to reflect changes in the stock of a particular industry and investor preferences, effectively making the market more open. The quality of companies listed on the market has improved significantly. Third, the stature of the Shanghai securities market as a national market has become more prominent, as mainly demonstrated by the sharp increase in the number of non-Shanghai companies whose stock is being traded there. The market now has as many non-Shanghai companies as local ones. The

scope of the market has expanded just as rapidly. Companies listed on the Shanghai securities market can be found in the vast majority of the nation's provinces, municipalities, and autonomous regions. There are now more than 500 domestic securities traders and foreign investors account for over 60 percent. It boasts a modern long-distance communications network capable of high-speed fiber optical transmission within the city and satellite communication outside. Market capacity and functions have grown explosively. That a fledgling market has grown so rapidly and healthy indicates its strong vitality and promising prospects. In short, the Shanghai securities market has become the largest such market in China and has taken the first step toward joining the international securities market.

Nevertheless, the Shanghai market still falls short of meeting the requirements for internationalization primarily in the following aspects.

It is a semi-closed semi-open market. The A shares and bond markets are geared to domestic investors, while the B shares market targets foreign investors. The two are separate from and independent of each other. Each has its own trading system, management methods, clearing system, and monetary instruments. The two have been kept apart. There is no intrinsic linkage and no synchronized relationship between the two. It is a case of one market, two systems. There are objective reasons and justification for this state of affairs, which is an extension and natural reflection in the securities market of China's economic and banking system, particularly its foreign exchange system. Clearly this kind of semi-closed, semi-open market does not meet the requirements of internationalization and must be changed.

The market is not sufficiently standardized. An international securities market must have a comprehensive set of laws and regulations, its conduct must be regularized, and its management strict. Shanghai has been remarkably successful in its experimentation with ways to regulate the maturation of its market and speed up its opening to the outside world. Still it is not standardized, not perfected. There are still gaps in its laws and regulation. What is lacking is a coherent body of laws and regulations governing securities markets across the nation. The conduct of securities markets is not universally standardized as the term is generally understood. Management has failed to catch up. Some problems still exist in overall market planning, development of operating organizations, market supervision, information disclosure, and restraining excessive market speculation and manipulation. The service system is lagging. The absence of authoritative assets appraisal and securities grading bodies and influential market forecasting is particularly keenly felt. There are many reasons for this lack of standardization. We need to standardize and improve the entire process of market development.

The Shanghai securities market does not stand out sufficiently as a central market. China's securities markets have been developing at different levels and comprise different types. There are regional as well as national markets. There is a market for personal stock, including A and B shares, but there is also a market for legal person stock. There is a bond market and then there is a funds market. The securities markets in Shanghai and Shenzhen are national markets dominated primarily by the A and B shares markets. As standardized and modern stock exchanges, Shanghai and Shenzhen boast the largest and foremost securities markets in China. These two markets each have their own strengths and characteristics but differ mainly in their scale and influence. The Shanghai securities market is larger in scale and more influential than its Shenzhen counterpart. Objectively speaking, though, it cannot be said for the moment that it has consolidated its position as the center of China's securities industry. At most we can say it is China's largest and most influential securities market. Strategic adjustments and nurturing are still needed.

Indirect regulation and control is weak on the Shanghai securities market. You cannot regulate and control a modern securities market without using a mix of indirect and direct regulation and control. Typically the former plays a leading role because it is effective in avoiding or minimizing market ups and downs so that the volume of business on the market, its flow, and the structure of the circulation will change in a way that will take them closer to the anticipated results. Generally speaking, there is more direct than indirect regulation and control on the Shanghai securities market. The market primarily relies on planned regulation, policy regulation, and whatever administrative intervention necessary. Open market operations and other leading tools of indirect regulation and control have not been employed. We must admit this is a defect. There also is room for more coordination and improvement in macroeconomic regulatory and control mechanisms, intermediate transmission mechanism, and the market feedback mechanism. Otherwise the Shanghai securities market will not be able to fully cope with the extensive changes that will occur in the course of internationalization or continue to grow and operate steadily.

3. Principal Strategies for Internationalizing Shanghai Securities Market.

First, speed up integration of the market. To put it simply, unifying the securities market means merging all sorts of securities markets into one, forming a comprehensive market. This is the cornerstone for developing an open and international securities market. Given the state of the Shanghai securities market right now, I think the first thing we should do is to gradually unify A shares and B shares markets. A market where these two markets coexist can only be a partially open market. To make the market completely open, we must remove the dividing line between the A and B share markets and turn them into an intrinsically unitary market. To ensure a smooth

transition, we need to adopt an incremental strategy that will take us from key points to the whole, from small to big. In view of the fact that the Shenzhen securities market also features the coexistence of A and B share markets, we should consider having Shanghai take the lead in reform. We can then disseminate its experience over time and finally merge them into one. In the course of this process, the existing structure of the stock market must be revamped in light of the reality in the domestic market, the needs of opening up to the outside world, and, in particular, the need to stabilize development of the securities market. We should not and cannot admit into the unitary market every single company which has issued shares and every single company which has issued A and B shares. Instead we must be selective and create a securities market that is standardized and suited for opening to the outside world. Those that are not suited must in the end be eased out. Actually this is a major adjustment not only of the structure of the Shanghai securities market but of that of China's securities market as a whole. Accordingly it must adhere to the needs of national macroeconomic regulation and control.

Second, the legal-person and individual stock markets must be merged gradually to solve the circulation problem of state stock. Stock markets overseas only distinguish between common stock and preferred stock; correspondingly those stock markets differ from one another only in level and specifications. The ownership structure of companies listed on a stock market in China and the corresponding classification of stock are unique to this country and fully express the dominant position of the state economy in China. This is an objective reflection of the socialist market economy, unique to China, in the securities industry. Making legal-person stock free to circulate on the market, to be traded fairly, and to be transferred in accordance with the law will spur the transformation of the ownership structure of enterprises and stimulate the proper circulation and allocation of resources, thereby hastening the adjustment of the enterprise structure, the industrial structure, and the product mix, and amplifying the social function of the current stock market. One way to merge the legal-person stock market with the individual stock market is to admit legal-person stock into the latter selectively and gradually to turn the former into shares of a public nature. When that comes to pass, what the shareholder of company legal person stock owns is no longer stock of a legal person nature, but company ownership in another form. When shares change hands, what the new buyer, whether institutional or personal, will get is ownership of the company in the nature of public stock. At that point the external expression of company stock is public stock and state stock.

The noncirculation of state stock violates the legal provision of "same stock, same ownership, same profit" in the Company Law. The circulation of state stock helps state properties increase in value and improves their utilization, turning idle assets into active funds, which makes it easier for the state to carry out macroeconomic

regulation and control. Bearing in mind long-term needs and what is actually feasible in the real world, we can convert state stock and legal-person stock into public stock either simultaneously or in stages. Both courses are doable. After conversion into public stock, the nature of the state ownership of the company in question does not change. What does change is merely the external expression of such ownership. The government does not sell off its shares on the circulating market and retains its position as the controlling shareholder. Of the company's various economic components, the state economy will continue to play the leading role. In fact it will be able to obtain and truly exercise the power due the largest shareholder, which will put it in a stronger position than today. It is worth pointing out that the cost inputs of state stock and legal-person stock are different from that of personal stock. State stock results from the reappraisal and affirmation of an enterprise's state properties. Legal-person stock results from the affirmation of the company's own assets or other legal-person assets. Alternatively, it may be issued to legal persons in society at relatively low premium prices. Personal stock, on the other hand, is issued to members of society at double the premium prices. For this reason, it would be unfair to admit legal-person stock into circulation in accordance with the original distribution of holdings. Instead we should do a reverse split or conversion based on reality.

In short, the circulation of legal-person stock and state stock is an important issue in the internationalization of the securities market. No doubt this issue will be worked out gradually. It is a matter of time, procedure, and scale. Only by incorporating state stock and legal-person stock into the circulation of common stock can we have a stock market in the full sense of the word. Only then can we build a unified stock market, ultimately transforming the stock market from closed to open, from fragmented to centralized, from domestic to international, as is the practice elsewhere in the world.

Second, speed up foreign exchange reform and phase in the free convertibility of the renminbi. An international securities market necessarily requires a freely convertible currency to facilitate the entry of all sorts of monetary capital and settlements. China has adopted a single exchange rate system and the renminbi has remained largely stable vis-a-vis the dollar and the Hong Kong dollar, which satisfies a key condition for the internationalization of the securities market. The absence of a stable exchange rate would make the securities market that much more risky and dampen the enthusiasm of domestic investors. Right now, conditions are still lacking in China for implementation of a free exchange rate system under which the renminbi would be freely convertible. A process of gradual evolution is still necessary, but the pace of reform can be accelerated. For the moment we should begin by throwing open the B shares market to Chinese citizens and doing away with restrictions on the number of currencies in which payments can be made or which are used for trading on the market.

They may be the dollar, the yen, the mark, the Hong Kong dollar, or other fully convertible foreign currencies. Use the dollar as the base for currency conversion purposes. Convert all other currencies into dollars based on exchange rates on the foreign currency markets at the time. That way the issue and circulation of B shares at home and abroad will be joined, forming a unified B shares market. This process requires us to standardize the conditions and criteria by which foreign companies are allowed to issue stock to be traded on China's securities market as well as the rules for supervising and regulating them. Most importantly, we must resolve the issue of the free movement of capital at a time when the renminbi is still not freely convertible and foreign exchange controls still exist in China. The process of unifying the B shares market is one of accumulating experience and enhancing the adaptability of the Chinese people to better prepare for merging the A and B shares markets and effecting the transition to an open market. Once the renminbi becomes freely convertible, we can then complete the transition at one stroke and gradually develop into an international securities market.

Third, accelerate nationwide networking and consolidate Shanghai's central position. First and foremost, Shanghai must build itself up as the center of the nation's securities market. On the one hand, it must continue to broaden the scope of its influence in the domestic market. Revolving around the strategic objective of creating a central market, it must formulate and implement a macroeconomic development plan, highlight its strengths, and focus on scale, quality, and efficiency. Network with all regional markets. Improve the means of communications. Provide highly efficient services. Optimize its investment climate. Make itself more attractive to foreign investors and securities firms. Develop networking between the domestic and foreign markets in order of priority in accordance with a plan. Gradually develop direct networking between the stock exchange and securities firms overseas and indirect networking between domestic and foreign securities firms. At the same time, gradually turn the Shanghai securities exchange into a "joint exchange" for China. Consider concentrating in Shanghai a large collection of listed companies from all over the country that are of high quality. Using these companies, create a securities market where the mix of industry is fairly balanced and which is large in scale and high in quality and efficiency. The upshot should be a multi-level securities market. This is one possibility. Another possibility is to create a giant nationwide network centered in Shanghai. Companies whose stock is traded on all other stock markets, whatever their type, would now be listed on the Shanghai stock market. This approach will entail a total remaking of the trading system in China's securities market. Yet another possibility is to maintain the existing distribution of markets but take strong measures to advance at full speed the development of Shanghai as the center of China's securities market. If you compare the three, the

first possibility presents some difficulties but has the most desirable outcome. The second possibility involves too many complications and offers limited significance. The third possibility does not require the redistribution of markets; all it needs is some support at the policy level, so it is easier to implement. On the other hand, it falls short in terms of quality. Personally I am inclined toward the first option.

Fourth, accelerate securities market legal construction and perfect its systematic management. For starters, create a body of sound laws and regulations pertaining to the securities market. Make the formulation of laws and regulations for nationwide application a priority. Introduce a "securities law" and a host of related rules and regulations without delay to standardize the overall conduct of the securities market. After the "securities law" is promulgated, revise and amplify the Shanghai securities market's existing rules and regulations in accordance with the above-mentioned law. Second, tighten supervision and management of the securities market. In accordance with the Company Law, regulate the transformation of enterprises through the adoption of a shareholding system, standardize the issue of shares and the transfer of ownership, regularize the financial and accounting systems, and raise the level of companies whose stock is traded on the stock market. Strictly supervise the conduct of participants in the secondary market. Enforce the "three gong" principle—"open, fair, and just"—in earnest. Third, strengthen the self-management and social supervision of the securities industry. Everybody involved in trading on the stock market should regularize his conduct. Make self-discipline management a success. All management bodies in the securities industry should operate in strict accordance with their division of labor and within their jurisdictional lines. Make vigorous use of accounting firms, auditing organizations, and public supervision for social supervision purposes. Organically integrate macroeconomic management by the government with self-management by the industry. Fourth, intensify the training of securities personnel. Improve their quality. Enhance their sense of legality and discipline. Cultivate in them a strong professional ethic and strengthen their professional discipline so they comply with and defend the law on their own initiative and provide world-class services.

Fifth, accelerate construction of a regulatory and control system for the securities market and perfect indirect regulatory and control tools. As a component of the financial industry, the development of the securities industry must serve the strategic needs of macroeconomic development, regulation, and control. Since the industry is in Shanghai, it also must meet the demands of Shanghai's economic development, regulation, and control. In particular, it must meet the strategic requirements of establishing an international financial center. To these ends, we must establish and perfect a securities market regulatory and control system that combines a

regulatory and control mechanism at the macroeconomic level for the national securities market with a regulatory and control mechanism at the middle level for the local securities market, and equip ourselves with a full range of indirect regulatory and control tools, thus creating a securities market regulatory and control system that relies primarily on indirect regulation and control but which also organically integrates it with direct regulation and control. Macroeconomic regulation and control should emphasize the achievement of medium-term development goals and adjustment to changing trends. Intermediate regulation and control should do likewise for short-term development goals and their changing trends. On both levels we need to base ourselves on market operating needs and scientific forecasting, use effective regulatory and control tools, adjust development goals and priorities, guide securities market operations, and combine medium-term planning with short-term reality, thus ensuring the stable, speedy, and balanced development of Shanghai's securities market in the course of reform and development, in the process of opening up to the outside world, and in the transition toward internationalization.

***Scholars View Current Stock Transaction Tax System**

95CE0163A Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 11, 20 Nov 94 pp 41-45

[Article by Chen Jiyu (7115 4764 3842) and Zhang Qiang (1728 1730), Hunan Academy of Finance and Economics: "Effect of Taxation System on the Joint-Stock System Economy"]

[FBIS Translated Text]

I

The topic this article addresses is the distributional relationship between the Chinese government taxation system and other stock market interest groups, and its effect on the joint-stock system economy. But first, a summarization is made of the taxes that must be collected from the stock investment earnings of different investors.

A. Share system companies and enterprises must pay income taxes.

The "Share System Enterprise Pilot Project Measures" prescribes collection of an income tax at a 33 percent tax rate on all income from production, operations, and other income of joint-stock system enterprises. The "Enterprise Income Tax Ad Interim Regulations," which went into effect in 1994, provides that joint-stock system enterprises are also included among the taxpayers to whom the 33 percent tax rate applies. No problems exist with the application of a 15 percent tax rate to ordinary listed companies.

The provisions mentioned above provide that not only must an enterprise income tax be paid on the income that enterprises make from production and operations,

but also the dividend and bonus income they receive from investment in other share system concerns are also subject to the enterprise income tax as well.

In addition, the "Interim Regulation on Various Problems in the Financial Management of Share System Pilot Projects" also spells out the criteria for calculating the taxes that share system concerns must pay. It particularly provides that the various loans that these enterprises repay and the dividends they distribute to shareholders may not be deducted before payment of the income tax.

When the share system issues shares on the open market, or when a stock exchange equity transfer document is drawn up, the currency amount shall be figured on the basis of the securities market actual trading price on the day the document is drawn up, both parties signing the document paying a stamp tax at a 0.31 percent tax rate. This is termed a securities exchange tax in the new tax system.

Both the State Securities Commission and the Ministry of Finance have ruled that all income from a share system corporation's sale of share subscription applications, less production cost expenditures, shall be paid into public funds. They have also ruled that 65 percent of the total is to be paid to the central government treasury, and 35 percent retained by the local government treasury, all of it to be earmarked for use in the development of public welfare endeavors.

All of the above provisions contain clearly prescribed limits that are effectively enforced. However, issues such as whether an income tax is to be levied on income obtained from share system corporations' issuance of shares at premium prices, how the enterprise income tax applies to income from appreciation when shares are traded, as well as how the income tax is to be collected on listing corporation warrants and dividend shares are either not specifically addressed in China's taxation system, or separate regulations have been promulgated ("Interim Regulations on Listing Corporation Warrants and Share Dividends," for example). However, obstacles appear and uncertainty occurs when such regulations are applied; consequently, a dilemma exists about applicable policy decisions.

B. Corporate stock market income tax collection problems.

Since its formation in 1993, the corporate stock market has gradually expanded, the kinds of shares listed have become more diverse, and listed corporation coverage has also expanded. Now that corporate and individual stock markets exist separately at the same time, the establishment of corporate stock market control regulations is particularly needed for normalization. As applied to the taxation system, this means deciding whether it is necessary to set up a preferential taxation rate or a system for deducting the amount of taxes to be paid on income from the trades of the corporate person

shares of public institutions. Currently, when institutional corporate shares are traded in the stock market only a 0.3 percent securities exchange stamp tax is paid just as for corporate shares; however, by law, there are no theoretical regulations as to whether even institutional corporate share exchange income should be taxed.

C. Tax regulations for individual share trading.

Currently, China levies a 0.3 percent securities exchange stamp tax on the trading of individual shares. Applicable provisions of the "Individual Income Tax Law" promulgated in 1993 about the taxation of gains from individual shares are mostly two: The first pertains to dividend and bonus income, for which there is no provision for a deduction. All such income received is to be taxed. It is multiplied by a 20 percent proportional tax rate to obtain the amount of tax to be paid. The second pertains to income from asset transfers, the balance remaining after deducting the original asset value and reasonable expenses from the amount of income received from the asset transfer being the amount on which the income tax is to be paid. Specifically, income received from the sale of shares, less the share purchase price and applicable taxes collected in the purchase process according to regulations, is the amount of income to be taxed. Furthermore, the income tax is controlled at the source by the joint-stock corporation that distributes profits and the securities company that conducts trading. These two entities are responsible for making withholding and acting as agent for tax payments. However, these two regulations have not really been enforced for the individual income tax. A responsible official in the State Taxation Bureau said that the stock exchange income tax has not been collected for two years, but that does not mean that applicable provisions of the income tax law and the enterprise income tax law have been abolished.

D. Problems in taxing state share returns.

The state shares referred to here derive from the following sources: First is the fund in joint share corporations made up of fixed assets in which the state originally invested, state-disbursed working capital, and various retained added shares. Second is the investment or share purchases of fiscal departments and economic supervisory organs at all government levels. Third is the converted share value of fixed assets purchased from the funding that administrative corporations originally provided. Inasmuch as there are no current tax system provisions for the levying of taxes on dividends and bonuses from state-owned shares, and since state-owned shares may not circulate on the stock market, there are no provisions for taxing of income derived from the trading or transfer of state-owned shares.

II

The state performs a dual function as administrator and owner of assets. Thus it has the dual status of tax

collector and taxpayer. The tax apportionment relationship that stems from the state's status as both administrator and joint-stock company and individual share investor contains some concrete problems that require study as follows:

A. Whether a balance is struck in the taxation of shareholder dividends and bonuses after collection of the enterprise income tax.

Share system changes now underway in China set rather clear-cut limits on equity relationships, but just who represents the state-owned shares in an overwhelming majority of joint-stock corporations is by no means clear. In some cases, the incumbent plant manager or director represents the state-owned shares, but no such authority has been conferred on him. In other cases, the government department in charge, or the State Assets Control Commission, appoints a person to sit on the board of directors, but frequently that person is preoccupied with other duties and is a "sham shareholder" or a "sham chairman of the board" regarding corporation matters. This being so, state equity rights are eroded in various ways. Specifically, in the distribution of benefits, the equal benefit from equal shares principle is not carried out. For example, many companies share profits and pay dividends only on shares held by individuals. They do not do the same for other shareholders. Furthermore, the dividend rate accorded individuals is generally greater than the profit rate for shares. This shows that shares owned by individuals benefit at the expense of shares owned by other stockholders. Specifically, they take away more than 80 percent of the return on state-owned shares and corporate shares. In order to guard against the erosion of state-owned assets and ensure fair distribution, consideration should be given to earliest possible collection of a share dividends and share profits tax as part of the income tax, and also stipulate the collection of a share profits and share dividends income tax at the same tax rate as part of the income tax paid by all stockholders in joint-stock enterprises, including state-owned shares and corporate-owned shares enterprises. Furthermore, the income tax to be paid by individuals, corporate persons, and the state should be withheld and paid by share system enterprises. The direct immediate benefit of such a system is, at least, that tax agencies would be able to represent the state in supervising the profit and dividend distributions of joint-stock corporations and an increase the state's fiscal revenues.

The basic reasons the state levies a dividends and bonus income tax on all joint-stock companies after an income tax has been collected are as follows:

1. No double taxation problem exists in the levying of an income tax on shareholder's profits after collection of an enterprise income tax. The income tax collected from a joint-stock corporation is on the income a joint-stock corporation makes from production and business and other income. It is an income tax paid the state according to law. However, shareholder income is income from

profits on shares after joint-stock corporation payment of income tax and withholding of a public accumulation fund and a public welfare fund. It differs in character from the enterprise income tax.

2. The collection of an income tax on all share dividends and bonuses from state, corporate, and individual shareholders without exception embodies the fair tax burden principle and the principle of ownership rights equality. The current taxation system, which provides for no taxation of profits on state-owned shares and corporate shares, seemingly helps increase the value of state-owned shares and corporate shares, but actually the reverse is true. A national Auditing Administration survey shows that current returns from state-owned shares, particularly state equity rights, are seriously infringed. Numerous joint-stock system concerns infringe publicly owned shares, particularly returns from state-owned shares, thereby causing hidden losses of state-owned assets through the use of improper and unfair share profit schemes and share distribution schemes. In addition, use of improper conversion methods results in part of the increase in value of state-owned assets being figured into the capital accumulation fund; thus, some of the amount that should be figured as an increase in value of state-owned shares becomes rights and interests enjoyed by all shareholders. Thus, not only can state-owned assets not appreciate in value, but they suffer a general loss of value. Collection of an income tax can effectively control this loss of state-owned assets and the runaway development of unfair distribution, increase state fiscal revenues, and provide a source of documentary information for applicable state-owned agency control and supervision of state-owned assets. More important, it can provide the equal competition needed for the entry of state-owned shares into the stock market, and ultimately the formation of a unified Chinese stock market. This is another way of saying that the tax burdens of all who engage in stock market trading will be the same. Few countries do not collect an income tax on individual share dividends and bonuses, and most collect a separate corporate and individual income taxes. Of course, quite a few countries have also set up preferential measures for share income tax reductions or exemptions. In China, the number of people who are able to take part in stock market investment and trading is extremely small, and most who can are people who have become rich quick under abnormal economic conditions. Therefore, collection of an individual income tax on share profits not only promotes fair distribution, but also plays a catch-up role on past share trading income.

3. Collection of an income tax on the dividends and bonuses of all shareholders poses few technical difficulties and can be easily done. Generally speaking, it means having all share corporations withhold and pay an income tax on the profits from shares of all shareholders, particularly individual shareholders, exercising control at the source. Furthermore, the national budget system

can prescribe the distribution between the central and local governments of the tax receipts for a joint sharing of benefits.

B. Selection of the income tax on share trading and transfers.

The existing direct collection of a 0.3 percent securities exchange stamp tax, which is in the nature of a turnover tax in the securities and shares circulation and trading process, should be continued. This means an income tax on securities trading, i.e. income obtained as a result of appreciation when buying, selling, and transferring securities forming the basis for taxation. This is termed a capital gains tax in foreign countries. It is an income tax collected on the appreciated value of stock, land, buildings, and such capital assets during their purchase, sale, or transfer. Since China has collected a land appreciation tax since 1994, a special securities exchange income tax may be set up that applies specifically to capital gains income derived from the buying and selling of securities.

Substantial controversy has always existed in taxation circles about whether a capital gains tax should be collected and what the tax rate should be. In real economic life, however, the people making large capital gains in any country are bound to be only an extremely small minority. Consequently, most countries collect a tax of a capital gains nature, applying the basic income tax principle of "taxation whenever there is income," and the principle of fair and equitable taxation. China's problems in the taxation of income from the buying, selling, and transfer of stock focus on several matters given below. They are all problems of whether or not to collect a tax and how to collect it.

1. Advantages and disadvantages of collecting an income tax on stock warrants and dividends. Currently, China's listed companies mostly employ the issuance of stock warrants and dividend shares to increase capital. When using dividend shares, listed companies convert retained yields or capital accumulation funds to capital stock, then issue a corresponding number of new shares for proportional distribution to shareholders, i.e., as a substitute for the distribution of cash dividends as compensation to shareholders. Warrants are the issuance of shares by the listing corporation to old shareholders at a certain proportion and at a price lower than the market price. Generally speaking, warrants offer the following advantages for the listed company: They enable it to obtain urgently needed money to expand the scale of production and operation and to conduct technological transformation. Inasmuch as the current warrant price is generally much higher than the net assets, this kind of distribution means that net enterprise assets and capital accumulation funds increase greatly. It also sets the stage for the use of net assets for the issuance of dividend shares. However, use of such a dividend-share method for distributing bonuses to placate the mass of investors is not in keeping with international practice. Thus, the listed company is obliged to concoct a warrant and

dividend share plan as scheduled and put it into effect. Such a plan disguises the status of the enterprise's operating mechanism transformation as well as its operating results. Naturally, if dividends are distributed in the form of cash, and warrants and dividend shares are used for providing bonuses, an income tax collected on one but not on the other, both the joint-stock company and the shareholders, particularly individual shareholders, would make the choice that avoids taxation. China's current method of levying an individual income tax on cash allotment of share dividends is a realistic choice for incorporating dividend shares and warrants into the collection of an enterprise income tax on enterprise income.

2. Analysis of whether an income tax should be collected on assets appreciation income and on income from the issuance of premium price shares. The assets of a joint-stock company may appreciate in value over time for various reasons such as inflation, but this is a nominal appreciation in value stemming from the rise in prices. Such a nominal gain does not increase investors' purchasing power, nor does it create true production capacity. Therefore, some have proposed decreasing the amount of rise in prices from assets appreciation income. However, this is not easy to do in actual practice. Consequently, many countries have incorporated assets appreciation income into income tax collection. Likewise, income from the issuance of shares at premium prices cannot be regarded as a stockholder benefit; therefore, it should also be incorporated into the enterprise income tax. Since both China's joint-stock companies and the stock market are at an incipient stage, and since inflation continues with no signs of abating, no taxation of such income for the moment is a rather sensible choice.

3. Analysis of a securities exchange income tax on stock trading earnings. Analysis of data on the regulations of various countries about taxation of securities exchange income produces a consensus on the following several points: Most countries, developed market economy countries in particular, tax securities exchange earnings. A company's security exchange earnings are generally listed in the company's business profit to be included as taxable company income. Individual securities trading income is usually taxed separately, a different tax rate is applied depending on the length of time that the securities are held. Usually preferential provisions in the form of either a tax credit or an exempted amount apply. In China today, the securities market is both fairly small in size, and has consistently gone down hill. The number of individuals taking a real part in stock market trading is extremely small. Information about securities exchange techniques and collation of exchange data are very incomplete; therefore, the levying of a securities exchange income tax is inappropriate. In the absence of a general source of taxation for a securities exchange tax, the levying of such a tax would entail numerous tax collection and administrative costs, but the income gained would be very limited. Therefore, during the

initial period of founding of joint-stock system enterprises and a securities market, the abandonment up of a certain amount of equitableness in return for the accumulation of social capital is worthwhile. However, over the long-term, as share system reform intensifies, the collection of a securities exchange income tax will become an inevitability.

In short, given the economic and social climate in China today, the collection of an income tax on all the dividends and profits of individual, corporate, and state shareholders, joint-stock companies themselves withholding and paying them is a feasible plan. It is also an effective measure for helping intensify reform of the share system. In addition, no collection of a tax on income from securities and stock exchanges and transfers, but incorporating income from profit sharing into enterprise income tax collections is a sensible choice that is in keeping with current realities in China.

III

Key elements in a market economy are having the market play a basic role in the allocation of resources and the taxation system serve as the government's main vehicle for macroeconomic regulation and control of the economy. The building of a modern enterprise system, including a joint-stock system, is the key to, and the foundation for, founding a market economy. The tax system described above must operate through market mechanisms in order to play a role in regulating the interests of interest groups in a share system economy, and the results of this regulation must also be reflected in market operation. The function of the stock market in China today may be summarized in the following several specific points: The stock market optimizes the allocation of resources in society for an increase in economic returns. It promotes transformation of enterprise operating mechanisms, advances a change in government functions, and regulates social distribution. In terms of the above several points, an analysis is made below of the effect on the functions of the stock market of the taxation system described above.

A. Effect of the taxation system on stock market allocation of resources.

The tax system set forth in the first section of this article applies mostly to income from share trading and transfers. It provides, for the time being, for no collection of an income tax on returns from capital. Its primary function is to stabilize and stimulate the Chinese stock market, which is languishing in the doldrums, and to have a positive effect in stimulating investment in stocks and guiding the flow of stock market funds, to set the stage for rational flow and re-grouping of resources in society.

In addition, in providing for the collection of an income tax on the dividends and bonuses of all shareholders, including state-owned and corporate shares, the main policy intent of the designed tax system is to use benefits

to impel the earliest possible designation of a genuinely defined corporate representative of state-owned shares, and to place state, corporate, and individual shareholders in an equal corporate position, using this position as a basis for promoting the listing of publicly owned shares for circulation. Listing of publicly owned shares for circulation would help weaken direct government administrative control of resources and would help enterprises assist the market in demolishing government agency and local government administrative subordination relationships, thereby making a truly rational flow of resources possible for a readjustment of the industrial structure. The tax system designed above is founded on the basic stock market principle of equal returns for equal shares. This holds major significance for the unification of China's future listing of state-owned shares with the corporate and individual stock markets. Since an overwhelming majority of publicly owned shares cannot be listed for circulation, money cannot flow into the industrial concerns making the best returns. This stymies the optimal allocation of resources, and it also means that publicly owned assets cannot increase in value. The publicly owned and corporate stock markets will ultimately have to be unified. At that time, publicly owned shares will be able to be listed on the individual stock market, and individual shares will be able to be listed on the publicly owned stock market. Only full embodiment in the taxation system of the stock market principles of "openness, fairness, and equality" can ensure attainment of the goal of free and rational flow of funds to attain optimal allocation of resources.

B. Effect of the taxation system on the stock market's promotion of a transformation of enterprise operating mechanisms and of government functions.

The impetus that the stock market provides in socializing enterprise assets and representing them as securities will enable most Chinese enterprises to change from reliance on government to reliance on the market in choosing the most important element in production: money. Moreover, government control of the economy will employ mostly indirect means, such as taxation, to regulate and control the market, regulation and control of financial markets such as the stock and bond markets being the main focus. As was said above, the collection of an income tax on the share dividends and bonuses of all shareholders is a prerequisite for putting enterprises and individuals on an equal footing with the government as a representative of state-owned assets in the stock market. Lacking this prerequisite, enterprises can distribute their retained profits in the form of shares and bonuses to evade taxation, and it can lead to enterprises not having to rely on funds from outside for investment, thereby distorting the stock money market. Therefore, the design of the share system provided for the inclusion in enterprise income taxes of income from distributed shares as a means of preventing a change in joint-stock company money raising methods.

In addition, once a fair taxation system exists, the government can use the listing of publicly owned shares

as a means of regulating the industrial structure. It can use this to ensure appreciation of the value of publicly owned assets, thereby truly bringing government management of the economy and management of assets within the market economy system.

C. Effect of Taxation System on Stock Market Promotion of Fair Distribution

When share system enterprises distribute stock dividends, the same profit and the same tax on the same shares system will not only make the distribution of profits fair, but will also lay a foundation for the equal marketing of shares of firms under different forms of ownership. If publicly owned shares cannot be listed, a situation occurs in which publicly owned and individually owned shares can lose equally but not gain equally. In other words, when share prices rise, publicly owned shares cannot benefit from the price rise, but when share prices fall, since publicly owned shares cannot be transferred or sold, they sustain a loss. In essence, this causes a concealed shift of assets toward individuals. Since no corresponding regulations and taxation limitations apply to warrants and dividend shares, and since the treasury usually cannot readily obligate the money for options, it has no choice but to give them up. Thus, the state loses equity rights benefits, while an extremely small number of individuals in the population benefit. Clearly, this is not in keeping with the principle of fair distribution. In addition, as inflation continues to rise and the stock market is in a long period of desultory adjustment, the temporary non-collection of taxes on securities trades and transfers helps both fair distribution and steady prospering of the stock market.

Shanghai Official on Banking Goals for 1995

OW2701101895 Beijing XINHUA in English 0905 GMT 27 Jan 95*

[FBIS Transcribed Text] Shanghai, January 27 (XINHUA)—Shanghai will accelerate the pace of construction of its modernized financial electronic network in an effort to become a part of the international financial network.

Mao Yingliang, president of the Shanghai branch of the People's Bank of China, said that in 1995, Shanghai will control the overall volume of credit and loans, strengthen banking supervision and inspection, deepen reforms of the financial system, and improve the quality of service.

Addressing a meeting of nearly 1,000 officials in the banking sector recently, Mao said Shanghai will try to complete the construction of a separate computer billing system to promote the use of individual checks and bank drafts and to clear them rapidly.

A computer network will be set up for more convenient use of credit cards issued by different financial organizations, Mao said.

He said that credit and loans will be increased for agriculture, and priority will be given to state-run enterprises with a good record of repayment, and to foreign trade companies and key projects.

When the banking, securities, credit, and trust functions are finally separated from one another, the banks will no longer directly invest in industrial and commercial enterprises, and will stop other securities trading except for state and financial bonds, Mao said. Securities firms will be banned from issuing credit and loans or engaging in inter-bank lending in any form.

In summing up last year's work, Mao said that the city's banking sector had good momentum and saw marked improvement. In 1994, bank savings continued to grow and the balance of credit and funds surpassed that of loans for the first time.

Foreign Exchange Reserves Growing

OW2701145195 Beijing XINHUA in English 1431
GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, Jan 27 (XINHUA/OANA)—China's foreign exchange reserves exceeded 51 billion US dollars by the end of 1994, up 30.4 billion US dollars from the beginning of the year, according to figures released today by the People's Bank of China.

The renminbi's exchange rate against the US dollar climbed to approximately 8.44 to 1, with its value growing by 2.7 percent over the beginning of last year, when the unified exchange rate was adopted to replace the two-tier system.

Sources from the central bank said that last year, the country's financial sector had smooth development, with cash investments being under control, and banks' deposits increasing by a large margin.

Statistics show that last year the state bank put a total of nearly 143 billion yuan (16.8 billion U.S. dollars) in cash into circulation, 10.5 billion yuan (1.2 billion U.S. dollars) less than for the previous year.

Also, at the end of last year, the amount of cash in circulation reached 728.9 billion yuan (85.8 billion U.S. dollars), up by 24.3 percent over the beginning of the year.

However, the growth rate was down by 11 percent compared with that in the previous year.

Last year, private savings saw a net increase of more than 631.5 billion yuan (74.3 billion U.S. dollars), 290.5 billion yuan (34.2 billion U.S. dollars) more than the previous year.

In addition, the state bank reported an increase of more than 273.3 billion yuan (32.2 billion U.S. dollars) in company deposits, up by 23.8 percent from the previous year.

In 1994, the state bank's loans also increased by 514.8 billion yuan (60.6 billion U.S. dollars), 30.9 billion yuan (3.6 billion U.S. dollars) more than the previous year.

Foreign Banks To Establish Presence as Market Opens

HK2901084095 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 pp 1, 3

[By Ren Kan: "Finance Reform Gains Momentum"]

[FBIS Transcribed Text] Foreign financial institutions mounted a full-court press last year to launch affiliates in China as the nation's economy continued to post record growth.

The State approved 16 foreign bank branches in 1994 in addition to one solely foreign-funded bank, a Sino-foreign jointly-funded finance company and an insurance company branch.

In the same period, overseas financial institutions received approval to set up 102 representative offices, said Di Weiping, vice-director of the Foreign Financial Institution of the People's Bank of China.

By the end of last year, such institutions were given approval to set up 118 "operational organizations," in Shanghai, Guangzhou, Shenzhen, Tianjin and nine other large or coastal cities.

Operational organizations refer to solely foreign-funded banks and finance companies headquartered in China, Sino-foreign jointly-funded banks and finance companies, and branches of foreign financial institutions.

Di said these institutions enjoyed steady increases in business last year.

By the end of 1994, 101 foreign-funded banks, banking branches and finance companies had begun operation.

Total assets of the foreign-funded banks amounted to \$11.8 billion at the end of last December, 56.6 per cent more than in the previous year.

Their savings increased by 12 per cent to hit \$2.49 billion and total loans grew 82 per cent to reach \$7.5 billion.

Of the loans, 90 per cent have been granted to domestic firms, especially foreign-funded ventures, Di said.

He added that foreign-funded banks have enjoyed satisfying business, with most realizing a profit after two years. These banks made \$92.61 million in net profits last year.

Di acknowledged that the foreign financial institutions have offered strong capital support to domestic firms while promoting the increase of foreign investment.

At the same time, they have brought advanced financial technology and management experience, improving the overall financial management level in China's financial industry.

With sustained economic growth in China, foreign financial institutions have shown strong interest in setting up Chinese affiliates.

Di said opening China's financial industry will be conducted in gradual steps and must be well planned and in accordance with the country's specific conditions.

He said the central bank has selected another 10 cities to allow foreign institution to set up operational organizations.

The State Council gave the green light for the move, which will bring Beijing, Shenyang, Shijiazhuang, Xi'an, Hefei, Hangzhou, Suzhou, Wuhan, Chongqing and Chengdu into the fold of open financial cities.

All of them provincial capitals or important economic centres, the cities were selected on the basis of the number of foreign-funded enterprises present, actual inflow of foreign capital and total foreign trade volume.

"We will gradually approve foreign banks to set up branches in these cities in the near future," Di said.

He noted that foreign banks have shown the greatest enthusiasm in launching branches in Beijing.

"We're studying their applications, but how many banks will be approved and the date for the final approval are not set yet."

Di said the central bank will approve the foreign financial organizations in small batches to suit heightened supervision of the sector.

"And we'll only consider approving foreign banks to set up branches at present and will not approve the establishment of Sino-foreign jointly-funded banks."

With more foreign financial institutions applying to set up Chinese affiliates, Di said, the central bank will strengthen examination and approval of establishment of their affiliates.

"In principle, we will only approve large foreign financial institutions which have good business performance and have contributed to China's economic development."

Di said the country will consider gradually lessening limits on the business scope of foreign banks along with domestic financial institutions' competitive ability and the central bank's enhanced supervisory ability.

"That includes studying the prospects of gradually allowing them to conduct renminbi business on an experimental basis."

Foreign banks in China at present are only allowed to conduct foreign exchange business.

Di said the country will also expand the ongoing experiment in opening the nation's insurance industry.

"We will properly increase the number of foreign insurers allowed to open Chinese branches and gradually enlarge the open area when conditions mature," he said.

At present, only two insurance companies, from the United States and Japan, are allowed to operate in one Chinese city, Shanghai.

Di said the country will also gradually introduce the investment bank mechanism to create an alternative for pooling foreign capital.

Foreign Trade & Investment

MOFTEC Minister Wu Yi Discusses 1995 Trade Work

HK3001065995 Beijing ZHONGGUO ZHENGQUAN
BAO in Chinese 20 Jan 95 p 1

[Report: "Wu Yi Makes Arrangements for Foreign Trade Work This Year"]

[FBIS Translated Text] This year, China's work in foreign trade and economic relations will again focus on exports and continue to deepen reform, so as to enable foreign trade and economic cooperation to scale new heights.

That was a proposal by Minister of Foreign Trade and Economic Cooperation [MOFTEC] Wu Yi at the just-concluded national conference on foreign trade and economic cooperation. Wu Yi said that exports will remain at the center of foreign trade and economic cooperation work in 1995 and that the entire trade industry should earnestly improve the quality of exports and view this as an important element in increasing the scale and efficiency of export work; that controlling and reducing the cost of exports should be viewed as an important measure for grasping export work this year; that the methods of bidding for export quotas should be improved and perfected and the domain of commodities for bidding be expanded; and that adjusting and optimizing the structure of exports will be viewed as a long-term task in export development. Special efforts will be made to expand the export of machinery and electric products produced with advanced technology, as well as complete sets of equipment.

Wu Yi stressed that the rapid development of China's foreign trade in 1994 was mainly attributable to reform, so this year we should continue to proceed from grasping reform, focus on reforming foreign trade enterprises, and urge enterprises engaging in foreign trade and economic cooperation to expedite the transformation of their internal operational mechanisms; that enterprises will be guided toward conglomeration [ji tuan hua 7162 0957

0553], industrialization, diversification, internationalization, and carrying out appropriate scales of operation; and that reform of the import management system will be actively promoted.

In the area of macrocontrol, major efforts will be made to straighten out the order of export operations and prevent such practices as struggling to purchase at high prices domestically and competing to sell at low prices abroad; to strengthen the work of chambers of commerce; to reform and perfect the current method of examining and approving rights for foreign trade operations and build and perfect the system of granting and inspecting the power to engage in foreign trade; to vigorously sort out the order of trade operations in border areas and between regions, and encourage the stronger state-owned foreign trade enterprises to become the main force of trade in these areas; to severely crack down on the illegal and criminal behavior of cheating the authorities out of export tax payments; to improve order in holding exhibitions and soliciting business abroad; and to strengthen coordination in accepting contracts on projects and labor, earnestly safeguard state and enterprise interests, and make headway in diversifying the market and using it as a strategy to secure success. At the same time, we must make serious efforts to publicize and implement the "Foreign Trade Law."

While focusing on efforts to improve the structure of foreign-funded enterprises, we must actively and effectively utilize foreign capital and direct it toward the high-tech domain, basic industries, and infrastructure; we must strengthen management of trade by foreign-funded enterprises according to law and continue to improve the investment environment.

Wu on Continuing Reform

HK2901082895 Beijing ZHONGGUO XINWEN SHE
in English 1229 GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, January 27 (CNS)—China will continue to concentrate on the restructuring of the foreign trade system this year with the reform of foreign trade enterprises as the core, said Ms. Wu Yi, Minister of Foreign Trade and Economic Co-operation.

According to Ms. Wu, China saw a booming foreign trade last year mainly due to the reform. The reform will go on this year and supplementary measures will be adopted and further improved for the restructuring of the foreign trade system. Promotion of export will be looked for under the new foreign trade system.

State-owned foreign trade enterprises are now facing increasing competition both at home and abroad. Foreign trade enterprises, especially those of long history of running, should have an overall change in their business pattern, intensify their reform of internal management and carry out modernized management. They should speed up reform of personnel, labour and distribution systems, actively promote the labour contract system

and improve the mechanism for decision-making, the incentive practice, supervision and control while at the same time upgrading their competitiveness comprehensively.

Foreign trade has to be developed in big scale, according to Ms. Wu, which has to guide enterprises into development in terms of groups, industrialization, business diversification and internationalization. Enterprises will be encouraged to carry out a variety of business under the circumstances that their main business has already been consolidated. They will be given a helping hand in developing backbone products and then a number of new varieties for expansion of their business running. Association of enterprises will be pushed forward to enable them to develop into group companies specializing in trade or production, thus covering a wide scale of businesses and regions.

The ministry has recently set up a special leading team to strengthen the restructuring of enterprises which is headed by the vice minister Mr. Liu Shanzai. It is responsible for the reform of enterprises under the direct leadership of the ministry. It also pushes forward the establishment of a modern enterprise system and carry out shareholding practice according to the Company Law while at the same time guiding the restructuring of the entire enterprise sector.

Foreign Trade Booming in Special Economic Zones

HK2801064795 Beijing CHINA DAILY in English
28 Jan 95 p 5

[By Lu Hongyong: "Foreign Trade Booming in Special Economic Zones"]

[FBIS Transcribed Text] China's five special economic zones (SEZ) chalked up \$33.4 billion worth of foreign trade last year, up 17.6 per cent from the previous year, statistics from the General Administration of Customs show.

Value of exports from the zones hit \$16.96 billion, or 14 per cent of the national total, up 29.3 per cent from previous year. But their average growth rate, while 24.2 percentage points higher than 1993, still fell under the national average.

Overall imports, worth \$16.44 billion last year, grew at a slower speed—7.6 per cent, or 19.9 percentage points below the growth rate of 1993. Imports accounted for 14.2 per cent of the national total.

In three of the five zones Shenzhen, Xiamen and Shantou, export volume topped that of imports.

The economic zone of Shenzhen led the pack: its \$8.94 billion in exports was 28.8 per cent above 1993. Imports grew 17.6 percent in the meantime, to hit \$8.56 billion.

It was followed by the SEZ of Xiamen, port city in Fujian Province overlooking Taiwan. Exports grew by 31.7 per cent to \$2.9 billion, while imports jumped 12.1 per cent to \$2.25 billion.

Export volume for Shantou, adjacent to Shenzhen, surged by 49 per cent to hit \$2.33 billion, but its imports plummeted 27.5 per cent to \$1.82 billion.

Imports last year by another two SEZs—Zhuhai, separated by the Pearl River mouth from Shenzhen, and the Hainan Island—outstripped exports.

In the breakdown of general trade for the zones, 49.9 per cent of growth was registered for exports while imports dropped by 13.1 per cent.

Processing trade still represented the bulk of foreign trade by the SEZs last year.

However, the growth rate for the SEZs' processing trade, 19.9 per cent for exports and 20.9 per cent for imports, again fell under the national average.

Foreign-funded enterprises registered within the SEZs played an increasing role in propelling the zones' import and export growth.

Exports by foreign-funded enterprises in the zones increased by 24 per cent last year to \$7.65 billion, and their share of the zones' total of imports also climbed 18.7 percent to hit \$9.32 billion.

Nationwide, the average growth rate of exports by foreign-funded enterprises was 37.6 per cent and that of imports, 26.6 per cent.

The rate of growth for joint ventures in the special economic zones is not keeping up with joint ventures nationwide.

Reportage on Intellectual Property Rights Issues

New Rules on IPR Protection

HK3001105995 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 27 Jan 95 p 3

["IPR in China" Column report: "National Copyright Administration of China Issues Three New Rules"; this headline appears in English and Chinese]

[FBIS Translated Text] [Editor's note] The National Copyright Administration of China [NCAC] has put into force or will soon put into force three sets of new rules in the area of copyright management. This marks another major step in perfecting our country's intellectual property rights [IPR] system. As usual, RENMIN RIBAO OVERSEAS EDITION takes the lead in providing our overseas readers comprehensive, detailed, and accurate briefings on the main content of the new rules through the "IPR in China" column.

In the coming days, this column will comprehensively reveal the situation regarding checking and handling IPR violations in all major cities in China.

Please pay attention to our exclusive reports [end editor's note].

Circular Concerning the Registration of Contracts on Publishing Foreign Books

(RENMIN RIBAO OVERSEAS EDITION) Beijing, 26 Jan—A new method of registering contracts for publishing foreign books and books from the Taiwan, Hong Kong, and Macao areas will take effect on 1 February throughout the country.

This was revealed by the National Copyright Administration of China

All book publishing institutions should sign publishing contracts with the foreign copyright holders for the publishing of relevant books (including translated versions and reprints of original versions), and should then register the contracts with copyright administrative departments.

Copyright administrations in provinces, autonomous regions, and municipalities (hereafter called local copyright administrations) are responsible for handling the registration of contracts to publish foreign works in their localities (including publishing projects of central-level publishing institutions in their localities).

Book publishing institutions should register the publishing contracts within seven days after the contracts are signed with the local copyright administrations. The local copyright administrations will add a registration seal to the contract being registered and will then return the copy to the domestic publishing institution. The contract registration code is composed of the following numbers: (regional code)—(year code)—(sequence number). To standardize registration work, the NCAC will distribute uniform contract registration forms.

Local copyright administrations should complete registration of a relevant contract within seven working days, and then deliver the copy of the contract together with the registration number to the NCAC for the record. The NCAC will regularly make public the main items of the contracts (including signatories to the contract and the contents of the authorization, but not revealing any business secrets). The domestic publishing institutions should print the contract registration number on the books they publish.

Local copyright administrations will take administrative actions against book publishing institutions that do not complete the registration formalities according to regulations, and will prompt the publishing administrative department concerned to take administrative actions in such cases. The NCAC will mete out stern administrative punishment to those committing copyright violations without undergoing the contract registration formalities according to the PRC Copyright Law and other relevant regulations.

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Books from China published in foreign countries with the authorization of China's citizens, legal persons, and non-legal-person institutions will not be subject to contract registration in principle, but the relevant authorization contracts may [ke yi 0668 0110] still be registered according to the requirement of the copyright holders.

The Promulgation of Tentative Measures for Voluntary Registration of Works

(RENMIN RIBAO OVERSEAS EDITION) [no date provided]—The NCAC began to implement the "Tentative Measures for Voluntary Registration of Works" earlier this year on a trial basis.

A circular that NCAC issued to its subordinate organs pointed out: The registration of the copyright of works by copyright administrative organs is conducive to more clearly defining copyright ownership in a physical form, which may thus be taken as the initial proof when copyright disputes occur. In the past, because copyright ownership of some works was not clearly defined, copyright disputes occurred from time to time among users of the works.

The voluntary copyright registration system will not change the principle of automatic copyright protection specified by the Copyright Law. No matter whether the works are registered or not, the copyright of their authors and other copyright holders will not be affected.

According to what reporters for this column have learned, authors in various localities have reacted warmly to the registration measure, but no overseas author has yet registered any works.

The Registration of Contracts on Publishing Overseas Audiovisual Products

(RENMIN RIBAO OVERSEAS EDITION) Beijing, 26 Jan—The NCAC recently issued the "Circular on Registration of Contracts on Publishing Overseas Audio and Video Products."

As of 1 February, all audio and video publishing institutions will have to register authorization contracts with the NCAC for the overseas [jing wai 1064 1120] audio and video products they publish. These products will include audio tapes, video tapes, audio compact discs, video laser discs, and other audio-video products. The audio and video publishing institutions should also provide the notarial certificates offered by the copyright holders to prove the legality of the authorization, and the overseas notarial institutions that issue such certificates should be those recognized by the NCAC.

A responsible NCAC official stressed that the NCAC will intensify administrative management over the copyright of audio and video products, so he hoped that all audio and video publishing institutions will conscientiously carry out the stipulations of the circular and avoid violating other people's copyrights, thus guaranteeing

the smooth implementation in our country of China's Copyright Law and the international copyright convention.

Gansu Drive Against Piracy

HK2801010395 Lanzhou Gansu People's Radio Network in Mandarin 2300 GMT 26 Jan 95

[FBIS Translated Text] A few days ago, joint investigation teams formed by the provincial press and publications administration, department of culture, and department of public security inspected pirated and smuggled laser discs and compact discs, seizing more than 500 sets of smuggled and pirated laser discs and compact discs in the marketing network in Lanzhou.

Guangxi Seizes Pirated Products

HK2901082995 Beijing ZHONGGUO XINWEN SHE in Chinese 0931 GMT 27 Jan 95

[FBIS Translated Text] Nanning 27 Jan (ZHONGGUO XINWEN SHE)—Guangxi Authorities conducted a special law-enforcement search in Nanning on 25 January to crack down CD and LD piracy.

According to a GUANGXI RIBAO report, the recent search headed by the Guangxi Office for Eliminating Pornography and Copyright Administration confiscated a batch of pirated audiovisual products including 3,622 CDs, 269 LDs, 976 video tapes in addition to 1,202 audio recording cassettes; penalties were meted out to some stalls openly selling pirated audiovisual products.

Zhuhai Crackdown on Counterfeit CD's

HK3001050095 Hong Kong WEN WEI PO in Chinese 30 Jan 95 p A3

[By staff reporter Ting Chieh-chu (0002 3381 3796): "Large Number of Pirated CDs Seized in Zhuhai"]

[FBIS Translated Text] To protect intellectual property rights, Zhuhai, in light of the spirit of the relevant meetings and documents of the State Council and the provincial authorities, has launched unified action against pirated CDs across the city since 10 January this year.

In the action, Zhuhai dispatched 246 personnel and 33 vehicles to check 84 shops; seized 5,238 pirated CDs, 1,276 laser discs, 614 video cassettes, 2,864 cassettes, and 105 Karaoke cassettes; and revoked one license.

Zhuhai adopted the strategy of taking unified action in the crack down on pirated CDs. In light of the market situation, the radio, television, and cultural departments shared responsibility and organized forces to screen the pirating activities. The city's social and cultural management office also organized cultural teams to conduct inspections and shut down any shop involved in pirating activities. The current crackdown attacked pirating

activities and has curbed sales and rentals of pirated video and audio products in Zhuhai.

Kunming Destroys Counterfeit Products

*HK3001050295 Hong Kong MING PAO in Chinese
30 Jan 95 p 4*

[Report: "Pornographic Audio-Visual Products Destroyed in Kunming"]

[FBIS Translated Text] The Kunming City Social and Cultural Management Commission publicly destroyed 10,000 cases (reels) of pirated or pornographic audio-visual products in the city's stadium yesterday afternoon.

At the same time, 57,000 pornographic books and magazines, 3,800 pornographic poker cards, and 60 kg of pornographic video tape covers were sent to a paper mill to be turned into paper pulp.

According to a briefing from a relevant person, what was destroyed yesterday is just some of the illegal publications, contraband books, and magazines, as well as audio-visual products, which have been seized according to the law, and their nature has been determined since the beginning of October last year. The rest will also be destroyed one after the other.

Economic Growth Beneficial to Sino-Hong Kong Trade

*HK3001061795 Hong Kong HONGKONG STANDARD
in English 30 Jan 95 p 4*

[By Karen Chan]

[FBIS Transcribed Text] China is enjoying a strong economic growth, leading to a closer trade relationship and more significant economic co-operation between the mainland and Hong Kong, according to China Resources (Holdings) chairman Shen Jueren. He said that at this stage, whether or not Hong Kong's economy can continue to prosper not only depends on the two years before 1997, but also the 10 years after it. He said this period was extremely important to the development of economic co-operation between the territory, China and overseas countries.

Mr Shen said the China factor was the key to influencing future economic co-operation between Hong Kong and other countries as the local economy and the mainland's economy was now virtually inseparable. He noted that many international scholars predicted the Chinese economy would continue to grow for a period of 20 to 30 years. Foreign trade and investment is also becoming more and more important.

It is estimated that in the next seven years, China's total imports will reach US\$1 trillion (HK\$7.8 trillion). Mr Shen said the weight of foreign investment to the overall development projects would continue to increase. This

would certainly expand opportunities for both Hong Kong and overseas investors to invest in China through Hong Kong.

Meanwhile, Hong Kong Trade Development Council chairman Victor Fung said the emergence of borderless manufacturing was creating a potential for "triangular trade" involving southern China, Hong Kong and other global markets, which was bringing to the territory benefits far more substantial than the mere trade and economic data suggested.

Based on the findings of a council study, it is estimated that the total business value—including domestic exports, re-exports and direct shipments falling under the general heading of "triangular trade"—could be about 35 per cent higher than that recorded in Hong Kong statistics. Mr Fung said that assuming the mainland was set on an irreversible course of normalising its trading relations with the world, Hong Kong's key service-oriented roles were set to increase. Hong Kong's importance as a hub serving China's economy and that of the wider Asia-Pacific region will also grow. He said the territory was likely to retain its appeal as the headquarters of choice for sourcing and manufacturing in the region, and the irreplaceable location for arranging trade finance and trade documentation.

Beijing, Shanghai Vie for Foreign Investment

*HK2801071095 Beijing CHINA DAILY in English
28 Jan 95 p 5*

[By Chen Chunmei: "Beijing, Shanghai Vie for World's Investors"]

[FBIS Transcribed Text] Beijing is determined to compete with Shanghai in attracting foreign investment and further boosting foreign trade.

Lu Yucheng, Vice-Mayor of Beijing, said that Beijing can make full use of its well-established infrastructural facilities to lure foreign investment.

But in terms of the so-called "soft" environment, such as the legal system, Beijing lags behind those coastal cities, especially Shanghai.

Lu said once Beijing's economic legal system concerning foreign trade is completed and improved it should suit changing conditions.

Last year Beijing launched a "talent project" to help the trade sector's qualified personnel further boost its foreign trade.

The unique project is expected to train 10,000 junior, 1,000 middle-level and 100 senior foreign trade personnel and experts over the next three to five years.

When the project ends, foreign trade personnel in Beijing will be required to hold certificates.

Lu appreciated that Shanghai took a faster approach to introducing various investments and technologies.

For example, Shanghai has cooperated with Xerox Corp of the US to make a big name in the domestic printer market. Beijing's Canon printers have proven not as successful, added Lu.

Beijing plans to invite more transnational and famous companies to invest there. The vice mayor expects the number of such world-name companies investing in Beijing to reach 300 in three years. He added that so far 182 world-name companies have established subsidiaries in Beijing. Sixty of them are among the world's Top 500.

Last year Beijing witnessed the entry of IBM, AT&T, Bell Sanyo, Hitachi and more than 80 other big-name foreign companies and consortia in its market—three times more than the previous year.

Co-operation priorities next will be assigned to hi-tech development and the upgrading of existing enterprises with advanced foreign equipment and technology, according to Lu.

Beijing plans to approve the establishment of 5,000 foreign funded ventures over the next three years. Then the total number of foreign-funded ventures in the city will total 15,000.

About one-third of the city's total tax collection is expected to come from foreign-funded enterprises by 1997.

Mining Industry To Enter Foreign Market

HK3001063795 Beijing CHINA DAILY in English
31 Jan 95 p 5

[By Wu Yunhe: "Mining Overseas May Pan Out"]

[FBIS Transcribed Text] China's mining industry hopes to enter foreign countries to jointly develop industrial ore deposits with foreign partners, said a senior official.

Wang Xionglin, a senior official of the Ministry of Geology and Mineral Resources, said the government is considering encouraging Chinese companies to go abroad to help foreign partners develop their countries' mining industries while seeking shipments of some metal ores for China to supplement the domestic shortage.

But this kind of economic cooperation is only in the initial stage between China and foreign countries, said Wang, director of the ministry's Department of International Co-operation.

"The Chinese Government should formulate rules and regulations so as to relax its current strict control over the approval for these Chinese companies to go overseas on such purposes," the director added.

The country's financial institutions are expected to provide strong financial support.

That would help because the Chinese mining industry is currently fettered by a shortage of funds for development overseas, he said.

Despite the fact that China is a vast country abounding in rich resources, it faces a shortage of some metal ore deposits such as iron, manganese and sylvite, especially at the present stage of fast economic growth, the director noted.

He said the central government now has high expectations for the opening of the 30th World Conference on Geology and Mineral Resources in Beijing in August 1996. Both Chinese and foreign industrial officials and businessmen will gather together then to tap their co-operative possibilities.

It will be the first time China sponsors such an international conference. More than 4,600 people are expected to participate, he added.

China already has developed such economic co-operation with African, South American and Southeast Asian countries, Hong Kong and Macao regions with contracts totalling more than \$70 million.

Wang also noted that China's central and local mining companies have obtained co-operative agreements to mine metal ores in Peru, Laos, Myanmar, Indonesia, Bolivia and Australia.

Guilin Attracts Increase in Foreign Investment

OW2901101095 Beijing XINHUA in English 0958
GMT 29 Jan 95

[FBIS Transcribed Text] Guilin, January 29 (XINHUA)—Guilin, a nationwide famous scenic city in southern China, introduced 103.8 million U.S. dollars of foreign investment in 1994, 78 percent up from the previous year's figure.

The foreign investment has sprawled to the fields of chemistry, electronics, machine building, light industry, foodstuff, garment, recreation and real estate.

Industrial project, numbered 66, made up 79.5 percent of the total foreign investment approved last year, according to official figures.

A big increase was recorded in the amount of investments from transnational corporations in 1994. Following Pepsi Co. Inc of the United States and Dawoo Co. of The Republic of Korea, the Chin Tai Group Companies of Thailand and Henkel Company from Germany began to invest in the technological innovation of existing enterprises in Guilin.

A local detergent factory and the Henkel Company from Germany launched a joint venture with an investment of 29 million U.S. dollars last year, which has developed high quality chemical products with up-to-date technology and equipment.

The city government has taken measures to simplify procedures for launching foreign-funded projects. Some ventures went into operation and made profits in the same year it was approved by the local government.

Quality of Investments Need Re-Examination

HK2901084195 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 pp 1, 2

[By Wang Yong: "Investment Quality Undergoes Scrutiny"]

[FBIS Transcribed Text] Though China has seen snowballing foreign direct investment in the past 16 years, some experts believe the time has come to re-examine the phenomenon.

Some \$100 billion in overseas capital has been channeled into upwards of 100,000 enterprises in China so far—the largest investment in any developing country.

But their quality is in question.

"The numerical expansion has taken advantage of China's favourable policies for overseas investors in the eastern coastal regions," said Ye Caiwen, a senior economist at the Beijing-based University of International Business and Economics.

More than 93 per cent of such investment has ended up in general processing industries which require intensive labour input.

"Although the massive foreign investment has filled in the gaps of China's fund shortage and created more jobs for Chinese, its contribution to our overall growth leaves much to be improved," Ye said.

"There's a large gap between what China gives (in tax breaks) and what it gets."

Uniform tax breaks extended to overseas investors but not available to domestic counterparts and low technical content in foreign investment are just two of the inequities.

Ye said China should steer overseas investment to such sectors as agriculture, infrastructure, basic industries, finance, trade and service, which can sustain the country's long-term economic growth better than labour-intensive industry.

Less than 7 per cent of foreign capital has gone to primary industry and the service sector.

"China should no longer accentuate quantity and regional policy differences (between the east and west) in attracting overseas investment," Ye argued.

He suggested that the government gradually shift the basis of its favourable policies from geographic regions to priority industries and products.

"In general, we should put certain caps on foreign investment in key processing sectors and trade in services, while encouraging that in agriculture, infrastructure and basic industries," he said.

Key processing sectors include those for the treatment of raw materials.

"It's not in the long-term interest of China to attract foreign investment in down-stream processing sectors with cheap labour and natural resources," Ye said.

"Rather, we should direct foreign investment towards upstream business like the processing of raw materials."

Ye said the government should try to ensure balanced growth of overseas investment in low-profit sectors such as agriculture and infrastructure and high-profit ones like machinery and electronics, automobiles and telecommunications.

In this historic policy shift, one element has made itself felt: national treatment for overseas investors.

At present, domestic and overseas businesses in China enjoy different favourable treatment. But in the final analysis, the latter enjoys a more favourable climate.

"It's time to unify policies for both," Ye said.

He said a lopsided preferential policy for overseas investors would be attractive in a sense, but risks fueling speculative, "hit-and-run" investment.

"In fact, it's the national treatment, good business environment and market prospects that are most attractive to transnational corporations which bring in high-quality investment."

Ye believes national treatment, which assures fair competition, will boost the technical component of foreign investment.

But he said some conditions should be met before national treatment policy is instituted.

First, restrictions on overseas investment in certain fields should be realized through capping foreigners' shares per project.

Second, a time limit should be made clear to overseas investors.

Third, overseas investors should be able to obtain special preferential policies in certain cases.

Altogether, the envisioned policy readjustment is meant to usher in an era of quality.

Unless it's high in quality, massive expansion of foreign investment would only make China a giant with a clay foot, Ye said.

Preferential Policies Issued on Imports

HK2901082695 Beijing ZHONGGUO XINWEN SHE
in English 0647 GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, January 27 (CNS)—The General Administration of Customs of China recently issued a proclamation, making new preferential policies on some commodities imported by enterprises and units in open areas of China. Its main content is as follows:

First, for technological upgrading purpose, import of key equipment, appliances, instrument and other necessary accessories which the Mainland is not able to produce or ensure supply for the time being can be tax-free.

Second, the following imported items can be exempt from taxes. They are seeds, seedlings, breeding stocks, fodder and medicine for protecting animals and plants as well as agricultural processing equipment and necessary technical equipment in case of that Mainland's products cannot meet the demand of them or they are imported for purpose of developing export-oriented agriculture in rural areas in open cities and counties.

Third, imports of production equipment, building materials, raw materials, spares and accessories and packing materials for production of exports or enterprise management by foreign-funded enterprises as part of their investment and imports of a proper amount of vehicles, office articles and home articles for own use by such enterprises and their related investors and other personnel of the foreign side can be exempt from taxes.

Fourth, exports (not including those controlled by the state) produced by foreign-funded enterprises can be exempt from tariff.

Medicine Exports See Rising International Demand

HK3001050695 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 p 8

[By Sun Hong: "Medicine Exports Near \$2b"]

[FBIS Transcribed Text] Medicine exports should enjoy huge potential in the near future as the industry moves to tackle remaining problems, experts in the field said.

China exported around \$2 billion in medicine and medical equipment last year, compared with \$1.5 billion in 1991.

The figure is still small—only accounting for 2 per cent of China's overall exports and 1 per cent of global trade in the sector said Zhao Chunhua, president of the China Chamber of Commerce of Medicines and Health Products Importers and Exporters.

About two-thirds of the nation's exports are Western pharmaceuticals and pharmaceutical chemicals, which enjoy rosy prospects due to rising demand in the international market, Zhao said.

"What's more, Chinese manufacturers of western medicines are competitive in technology and labour costs."

China has become the second-largest western pharmaceuticals producer in the world, following the United States. Over 300 kinds of China-produced western pharmaceuticals have entered more than 100 countries and regions, with the United States, Europe and Japan the biggest consumers.

China exported nearly 10,000 tons of Vitamin-C last year, making it one of the top Vitamin-C suppliers in the world.

However, traditional Chinese medicines have encountered difficulties in tapping the world market, according to Cui Bin, a section chief of the chamber.

So far, exported traditional Chinese medicines have mainly been consumed by Hong Kong, Macao, and countries in East and South Asia.

"To win a larger part of the international market, efforts should be made to introduce traditional Chinese medicines to more westerners," Cui said.

And reforms should be carried out to combine modern technology with traditional intelligence, making traditional Chinese medicine more convenient and more acceptable to customers, he said.

Because the principles of Chinese medicine differ from those of western medicines, meeting western countries' standards on imported medicine has been difficult.

Consultations and negotiations with Western countries are needed, he said.

Cui noted that Chinese traditional medicines have unique advantages including fewer side-effects compared with western medicine. They're also often cheaper due to a comparatively shorter research and development period, he said.

"The export potential is huge, but time is needed to pave the way."

More than 1,000 overseas-funded pharmaceutical plants have been established in China 372 of which manufacture western medicines and 238 medical equipment and materials; the rest make health products and traditional Chinese medicines.

They have largely engaged in exports.

Insurance Company To Continue Backing of Exports

HK3001002895 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 p 1

[By Ding Xuemei: "Nation's Insurer Backs Exports"]

[FBIS Transcribed Text] The People's Insurance Company of China (PICC) will continue to support China's exports this year.

"We'll expand our business especially in medium- and long-term export credit insurance in accordance with the country's (exporting) policy," PICC official Dai Yongbao told *Business Weekly*.

Dai is general manager of the Export Credit Insurance Department at PICC.

Emphasis will continue to be placed on exports of machinery and electronics products, complete sets of equipment, ships, buses and passenger trains to developing countries such as Pakistan, Bangladesh, Turkey, Indonesia, Viet Nam and Cuba.

Dai said many export projects are now under negotiation; whether PICC will underwrite the projects depends upon the outcome of those negotiations.

PICC often faces high risks. However, as a key link in the country's policy-oriented finance sector, "we'll pay the cost in a bid to support foreign trade and adjust the export structure," Dai said.

PICC will also strive to strengthen its short-term export credit insurance business, mainly involving exports of machinery and electronic products, consumer goods, home electrical appliances, engines, truck components, textiles and chemical and food products.

Exports of machinery and electronics have taken a large share of total exports, in line with the country's export policy.

PICC earned \$8 million in premiums from short-term export credit insurance last year, a 10 per cent gain from the previous year.

PICC paid out \$8 million in compensation on short term export credit insurance last year, Dai said.

The volume of medium and long-term export credit insurance last year increased, but the company is still collecting insurance premiums and hasn't announced final operating results. Among PICC's large-scale export projects last year were power stations in Indonesia and Viet Nam and buses exported to Sri Lanka.

The first company authorized to open export credit insurance businesses for domestic foreign trade companies, PICC has made great achievements to help expand China's exports.

PICC has provided short-term export credit insurance to more than 500 foreign trade companies across the country, insuring over \$3.2 billion in exports. It has also underwritten more than 70,000 overseas buyers.

Since PICC began medium and long-term export credit insurance business in 1993, it has underwritten export projects with a combined value of \$200 million. Another 100 medium and long-term projects are being discussed, involving project valued at \$5.7 billion, Dai said. PICC has set up a nationwide network of export credit insurance to promote the industry's development.

Other aspects of the industry remain to be worked out, such as the balance of demand and supply for insurance.

Dai said the nation should work to heighten both consumers' and companies' awareness of the importance of insurance.

Though in some regions foreign trade companies actively seek export credit insurance to avoid risks, the practice is still not common in most of the country, Dai said.

Shandong Preferential Policies on Developing Beaches

SK2701070495 Jinan DAZHONG RIBAO in Chinese 6 Jan 95 p 1

[FBIS Translated Text] To accelerate the pace of building Shandong on the sea, a few days ago, the provincial government worked out the "Shandong Provincial provisional regulations on encouraging foreign traders to make investment in developing offshore beach areas" and worked out a series of preferential policies on encouraging foreign traders to develop offshore beach areas.

The preferential policies worked out by the provincial government stipulate: Foreign traders who come to Shandong to develop offshore beach areas are allowed to land purchasing and rental rights. The time limit for utilizing the offshore beach areas on a purchasing or rent basis is a maximum of 50 years. Upon approval, foreign traders can extend the expiration date for their contracts. Foreign traders with contracts to manage the offshore beach areas for more than 10 years may enjoy an exemption of offshore and beach resource taxes for five years from the day they gain utilization rights, may enjoy exemption from income taxes in the first two years when they begin to create profits, and enjoy a 50-percent reduction of income taxes in the next three years. When the tax exemption and reduction period expires, the enterprises are allowed to report to tax organizations on applying for a reduction of income taxes of 15 to 30 percent for the next 10 years. The production and management equipment imports covered in the total investments of foreign traders and a reasonable amount of articles for office use will be exempt from taxes according to relevant state laws and regulations.

Agriculture

Chen Junsheng on Scale of Grainfield Operation

HK3001043095 Beijing RENMIN RIBAO in Chinese 29 Dec 94 p 2

[Article by Chen Junsheng (7115 0193 3932) dated 11 November 1994: "On the Issue of Operating Grainfields on an Appropriate Scale in Developed Coastal Areas"]

[FBIS Translated Text] [Begin abstract] To solve the existing contradictions in the grain production industry,

it is imperative to increase the comparative effectiveness of grain cropping. Besides trying to raise per unit area yield using science and technology, an important approach is to manage grainfields on an appropriate scale, which will contribute to the enhancement of land yield capacity, labor productivity, and the commercialization of produce. Also, it can make farming another way to prosperity for the peasants and thereby raise their enthusiasm in grain cropping.

The appropriate scale of operation is a continuation and development of responsibility systems dominated by the household contract responsibility system with remuneration linked to output and is an expansion of the contract responsibility system with remuneration linked to output in terms of capacity. Large farming households and family farms are products of the expanded-capacity household contract responsibility system with remuneration linked to output. The most crucial contributor to the appropriate scale of operation of grainfields is the introduction of a mechanism allowing the circulation of land use rights, so that laborers rechannelled into non-agricultural industries are willing to transfer their land to other parties. Whatever the form of circulation or scale of operation, the peasants' will must be respected and the principle of voluntary offer must be upheld. In developing the appropriate scale of operation, we must pay attention to appropriateness and maintain a good balance between this and the development of high-yield, good-quality, and high-efficiency agriculture, agricultural modernization, the development of township and town enterprises, the construction of small cities and towns, and the enhancement of the quality of operators. [end abstract]

In recent years, grain production in economically developed coastal areas has been experiencing slow growth. There are two main reasons for this: One, after the rural economic pattern changed, agriculture assumed an auxiliary position in the family economy of the peasants. Generally, the per-capita share of cultivated land in the rural areas of the developed coastal regions is only a few tenths of a mu and the per-household share of land is also very small, giving rise to a very small scale of agricultural production. With the development of the secondary and tertiary industries, the main income of farming households has begun to come from nonagricultural industries. Farming income is often below 20 percent of their total income and, in some areas, even below 5 percent. Therefore, for these households, agriculture is dispensable and their enthusiasm for farming is lacking. Two, that the comparative effectiveness of grain production is low, further undermining the peasants' enthusiasm for farming. Farming inputs have been decreasing steadily every year; almost all young and able-bodied labor has been rechannelled into nonagricultural industries, mainly township and town industries; only old people and women in or past their middle age are left behind to work on the land. In some areas, extensive farming is happening on a rather serious scale and in quite many places, peasant households "cannot

but farm, are unwilling to expand farming, and are not interested in intensive farming" [bu de bu zhong, bu ken duo zhong, bu yuan jing zhong 0008 1779 0008 4429, 0008 5146 1122 4429, 0008 1959 4737 4429]. In some localities, large areas of land are lying waste. According to statistics of Guangdong Province, in 1993 about 500,000 mu of cultivated land lay waste across the province. In Zhejiang Province, over two million mu of land lay waste in the winter of 1992 and more did in 1993. The problem of wasting cultivated land exists to varying degrees in some other provinces. Under these circumstances, slippage of grain production has naturally occurred.

To resolve these contradictions in grain production, it is imperative to improve the comparative effectiveness of grain production. Grain cropping has a low comparative effectiveness, which is largely due to irrational pricing and an inadequate scale of grain production. At the moment, grain prices in our country are close to those on the international market, leaving little headroom for further price increases. Besides trying to raise the per unit area yield through science and technology, an important approach to developing grain production is to introduce an appropriate scale of operation of grainfields. Currently, though the appropriate scale of operation of grainfields in developed coastal regions has not been extensively popularized, it has nevertheless shown enormous advantages.

The appropriate scale of operation of grainfields is conducive to raising land yield capacity, labor productivity, and the commercialization of produce. Through the appropriate scale of operation of grainfields in Wuxi County, Jiangsu Province, the per unit area yield of wheat is now 10 percent higher than that from ordinary fields, that of paddy rice 5 percent higher, and per-capita labor productivity about four times higher. Last year, the grain purchase quotas accomplished through appropriate scale of operation accounted for 70 percent of the total accomplished quotas of the county. According to some comrades from Zhejiang, the multiple crop indexes achieved by large farming households in Ningbo City and Wenzhou City were generally 10 to 40 percent higher than the local average. According to a survey of Shenyang City, Liaoning Province, the average per-mu yield on plots under appropriate scale of operation is about 20 percent higher than ordinary plots. The introduction of grainfield operation on an appropriate scale helps the state control the sources of grain supply. According to a survey by Ningbo City, Zhejiang Province, the 20,000 large farming households city-wide are managing 400,000 mu of grainfields and have undertaken 60 percent of the city's grain purchase quotas.

Developing the appropriate scale of operation of grainfields and obtaining effectiveness through the scale can turn farming into another avenue for peasants to attain prosperity and thereby raise their enthusiasm in grain cropping. In Changshu City of Jiangsu Province last year, the net per-mu income from farming on household

farms was 232 yuan and the per-household income registered 18,000 yuan, three times the average income per rural household in the whole city. Statistics supplied by Pingdu City of Shandong Province indicate that the net annual income of a farming household operating 30 to 50 mu of land is normally between 10,000 yuan and 15,000 yuan, confirming the possibility of attaining prosperity through farming. According to some comrades from Yinxian County, the income of the owner of a household farm is roughly the same as that of the director or manager of a village-run enterprise.

The operation of grainfields on an appropriate scale may take various forms, which roughly fall into two categories: Large farming households or family farms belong to one category, while the other covers various forms of collective farms and cooperative farms, including village-run farms, factory-run farms, station-run farms, and joint-stock cooperative farms. Collective or cooperative farms operate under the contract responsibility system with remuneration linked to output, and some are also contracted to individual households. Reports from most localities indicate that large-household farms are quite popular and have been more extensively adopted than any other form. Whatever the form, as long as it can mobilize peasants' enthusiasm for production, raise the output capacity of the land, and increase the total yield of grain, peasants should be allowed to make their own choice, explore, compare, and make innovations, subject to local conditions. All depends on the time, location, and conditions.

Promoting operations on an appropriate scale is part of further deepened rural reforms, under the precondition of the stabilized contract responsibility system with remuneration linked to output. In March 1990, Comrade Deng Xiaoping pointed out: "From a long-term point of view, the reform and development of China's socialist agriculture requires two leaps. The first is abolishing people's communes and introducing the contract responsibility systems dominated by the household contract responsibility system with remuneration linked to output. This is a very big advance and must be upheld for a long time. The second leap is to cater to the needs of scientific farming and socialization of production and develop operations on an appropriate scale and the collective economy. This is another very big advance. Naturally, this is going to be a very long process." This shows that there is a natural link between the appropriate scale of operation and the contract responsibility system with remuneration linked to output. The appropriate scale of operation is a continuation and development of the agricultural responsibility systems dominated by the household contract responsibility system with remuneration linked to output and an expansion of the contract responsibility system with remuneration linked to output in terms of capacity. Large farming households and family farms are the products of the expanded household contract responsibility system with remuneration linked to output. Even the various forms of collective or cooperative farms are

also managed under a contract responsibility system with remuneration linked to output. They are not new versions of "eating from the same big pot."

The most crucial link in promoting appropriate scale of operation of grainfields is to introduce a mechanism for the circulation of land use rights so that laborers who have been rechannelled into nonagricultural industries will be willing to transfer their land and the land can gradually gravitate toward competent farmers. At this conference, there have been reports that the circulation of land use rights currently takes five main forms: one, subcontracting between rural households; two, leaseback of land from collective economic organizations to rural households; three, introduction of the "two-field system," i.e., dividing fields for growing grain rations among households and inviting tenders for, and contracting out, responsibility fields; four, voluntary surrender of contracts by peasant households and concentration of land for appropriate scale of operation; and five, using land use right as a contribution to capital stock and forming joint-stock cooperation. Whatever the form of circulation and scale of operation, the peasants' will must be respected and the principle of voluntary offer upheld.

Respecting peasants' will and upholding the principle of voluntary offer means respecting the peasants' right to make their own decisions on operational matters, adhering unswervingly to the responsibility systems dominated by the household contract responsibility system with remuneration linked to output, maintaining the stability and continuity of the party's rural policy, and refraining from revoking the peasants' right to land contracts by means of administrative orders. We must refrain from setting targets at all levels of authority and imposing tasks, and must not create overwhelming propaganda pressure. If most of the households in a village are willing to subscribe to the idea of appropriate scale of operation and only one household is unwilling, this one household should be allowed to have its reservations. Naturally, however, upholding the principle of voluntary offer does not mean letting everything run its own course. Instead, we should provide positive guidance where conditions permit and gradually popularize the system. The most important condition for appropriate scale of operation is that the labor has been rechannelled into and has steadily remained in nonagricultural industries, and that agriculture is no longer the main source of income. Only thus can peasant households transfer their land and can the appropriate scale of operation be possible. A strong and solid [shi li xiong hou 1395 0500 7160 0624] collective economy and relatively powerful [li liang jiao qiang 0500 6852 6525 1730] leadership group will constitute a more conducive basis for the appropriate scale of operation.

Positive guidance means propaganda on the significance and role of appropriate scale of operation among qualified households, villages, and groups. Such work must be carried out in depth and with attention to detail so that

the farming masses can see the advantages of appropriate scale of operation and are consciously willing to participate in its practice. It is necessary to gradually standardize various modes of land circulation in light of local conditions and organize good services for land circulation and appropriate scale of operation. It is necessary to "stabilize the system and enliven the fields," that is, to stabilize the right of contract and enliven land use rights. In this respect, some localities have adopted the method of issuing certificates of contract rights or rights of use, while others have adopted the method of entering land use rights as shares and dividing returns among shareholders. At the core of those practices is recognition of the peasants' rights of contract, and continued efforts should be made to explore, sum up, and improve those practices.

Gradual popularization means that considering the immense variety of conditions in different localities, in developing the appropriate scale of operation of grainfields, we must adhere to local conditions, respect the will of the masses, and refrain from coercion and commandism. At present, in central and western China and in relatively backward coastal areas land remains the means of living and a necessary condition of survival for peasants. The conditions for developing appropriate scale of operation do not yet exist. We must not indiscriminately copy the practices of other regions and develop appropriate scale of operation in those areas without due regard for the wishes of the masses. They must never compete with each other in this respect or arbitrarily rush into large farming households. They must stabilize the household contract responsibility system with remuneration linked to output.

In promoting appropriate scale of operation of grainfields, we must pay attention to the question of appropriateness. We are advocating operation on an appropriate, not maximum, scale. The appropriateness of the operation scale is a dynamic parameter determined by many factors. The specific size of an operation depends on local conditions and the capacity of operators. However, one rule must be upheld, that is, the land yield capacity under the appropriate scale of operation of grainfields must be higher than the local average, so as to ensure an increase in total grain yield. The size of the operation scale is very much connected to the quality of the operators. Therefore, it is necessary to choose good operators and pay attention to strengthening training and improvement. What also needs to be pointed out here is that appropriate scale of operation relying on predatory business at the expense of land yield capacity is not to be encouraged and must be avoided as much as possible. We must not concentrate only on expanding the scale of land, but must also make strenuous efforts in in-depth exploitation of the land.

At present, most of the rural labor in developed coastal regions has been rechannelled into nonagricultural industries; therefore, the conditions for popularizing the appropriate scale of operation of grainfields are present.

In some localities, extensive management of grainfields is quite serious and farming has been abandoned on huge pieces of cultivated land lying waste. This situation calls for prompt popularization of the appropriate scale of operation of grainfields without missing the opportunity. In short, in developing the operation of grainfields on an appropriate scale, we must neither copy and popularize indiscriminately, overriding practice with theoretical understanding, nor mark time and let understanding lag behind practice.

The development of grain production and popularization of the appropriate scale of operation of grainfields is an important matter concerning the disposition of rural economic resources. As far as overall rural development is concerned, it not only involves whether we can establish a set of agricultural development mechanisms full of inner vitality, but also whether coordinated development of the primary, secondary, and tertiary industries in rural areas can be achieved and the construction of small cities and towns accelerated. Therefore, we must pay special attention to handling the following relationships well:

First, the relationship between the appropriate scale of operation of grainfields and the development of high-yield, good-quality, and high-efficiency agriculture. The development of high-yield, good-quality, and high-efficiency agriculture includes not only developing high-yield and good-quality breeding industry and cultivating crops other than grain, but also the developing high-yield and good-quality grain crops. To impart inner vitality and motivation to the appropriate scale of operation of grainfields and enable it to proceed smoothly, we must pay attention to developing high-yield, good-quality grain crops and relatively high economic efficiency. In this sense, promoting the appropriate scale operation of grainfields is consistent with developing high-yield, good-quality, and high-efficiency agriculture.

At the same time, we should also be aware that the development of high-yield, good-quality, and high-efficiency agriculture on diversified fronts may create land use conflicts with the development of grain production. In the past decade or so, the situation has been basically rational concerning reform and development in rural areas, with various localities adjusting rural structures and developing a diversified economy in light of market demands. However, the acreage of grainfields in some developed coastal areas has been dramatically reduced. For now and quite a long time to come, the cultivated land suitable for grain cropping in developed coastal areas should be used primarily for developing grain production. While adjusting the industrial structure and developing diversified economy, we should make full use of large quantities of non-grainfield resources and stop crowding out grainfields, so as to put an end to the reduction of land sown to grain.

Second, the relationship between the appropriate scale of operation of grainfields and agricultural modernization.

To realize the modernization of agriculture, it is imperative to realize the appropriate scale of operation of agriculture. Scattered, small-scale operations are not in tune with the requirements of agricultural modernization. Similarly, to promote the appropriate scale of operation of grainfields, it is imperative to upgrade the level of agricultural modernization. The level of agricultural modernization of large farming households or collective farms practicing appropriate scale of operation of grainfields in developed coastal regions is generally higher than that of ordinary peasant households. This is because, after the scale has been expanded, the operators set greater store by the application of agrotechnical findings, thus making it easier for the popularization of new findings and new varieties. To offset seasonal fluctuations, reduce labor-intensiveness, and cut down the costs of production, operators try all possible means to purchase and utilize agricultural machines and apparatus, thus continuously enhancing the level of mechanization. In Jinjiang City, Fujian Province, the average fixed-assets investment made by large farming households operating fields of 100 mu or more is over 60,000 yuan. A survey of Leqing City, Zhejiang Province, indicates that each large operator operating over 100 mu of land owns an average of 31,400 yuan worth of farm machinery. This is equal to 182 yuan per mu, more than five times higher than that of ordinary farming households.

Socialized services for agriculture are an important condition for realizing agricultural modernization. Developing the appropriate scale of operation of grainfields may to some extent alleviate a series of contradictions caused by an inadequate scale of cultivation and enhance the effectiveness of agricultural operations. However, even when the appropriate scale of operation of grainfields has been introduced, there may still be many matters that cannot be handled by large farming households or collective farms. Such matters include the supply of production means, such as chemical fertilizers and farm chemicals; selection and cultivation of improved varieties and strains; drainage and irrigation; crop disease and pest control; mechanized operations; harvesting and drying of crops; storage, transport, and selling; and large projects of farmland capital construction. Many participants in this conference have suggested strengthening the services and have shared very good experiences. These viewpoints are in line with reality. Therefore, while promoting the appropriate scale of operation of grainfields, we should further strengthen the building of a socialized service system for agriculture and undertake substantial measures to strengthen the service oriented to various scale of operation entities. Professional departments in agriculture, supply and marketing, supply of agricultural means of production, supply of materials and equipment, commerce, foreign trade, banking, and insurance should help reinforce socialized services for agriculture. In particular, they should give more support to such scale of operation

entities as large farming households and regard supporting the appropriate scale of operation of grainfields as an important obligation they must honor. They should work closely with each other, offer excellent services to large farming households, and let them have the benefit of preferential policies. Today, some localities are not doing very well in scale of operations. An important reason is that the service work has failed to catch up. We must conscientiously draw a lesson from this. In the meantime, the services for scattered farming households who have not joined the appropriate scale of operation should also continue to be strengthened. We should under no circumstances neglect services for the large numbers of ordinary households simply because we are promoting the appropriate scale of operation.

Third, the relationship between the appropriate scale of operation of grainfields and township and town enterprises. Sustained, rapid, and healthy development of township and town enterprises can further absorb surplus agricultural labor and constitutes a basic condition for promoting the appropriate scale of operation of grainfields. Therefore, while promoting the appropriate scale of operation of grainfields, it is imperative to develop well the township and town enterprises in coastal regions with strenuous efforts, so that surplus labor can be engaged in nonagricultural industries in a progressive, long-term, and steady way. One measure is to try to develop technology-intensive industries and further enhance the quality and grade of products. A second measure is to energetically push ahead with the development of foreign-oriented economy and expand international market share. A third measure is to continue to promote the transformation of management of township and town enterprises toward appropriate scale of operation and form a batch of mainstay enterprises that are competitive on the international market. A fourth measure is, with the upgrading of the industrial structure of township and town enterprises in coastal regions, to encourage and guide labor-intensive and resource-based industries to move gradually toward central and western China, establish an interregional relationship of complementarity and interest sharing, and promote the coordinated development of nationwide rural economy.

Fourth, the relationship between the appropriate scale of operation of grainfields and accelerating construction of small cities and towns. At the moment, in developed coastal regions, the urbanization of rural areas lags significantly behind the industrialization of urban areas. In the future, these two processes should be coordinated and basically synchronized.

Accelerating construction of small cities and towns will not only encourage the peasant population already channelled into nonagricultural industries to detach themselves from the land; it will also further promote the development of township and town enterprises, especially the development of rural tertiary industry, thereby to further speed up the rechanneling of surplus rural

labor. The situation in developed coastal regions indicates that where rural economy develops fast, the construction of small cities and towns is also fast, and where the construction of small cities and towns is fast, progress in the appropriate scale of operation of agriculture is also faster than elsewhere. Today, small cities and towns are spread all over such regions as the Chang Jiang and Zhu Jiang deltas, forming enormous urban zones and contributing to the development of appropriate scale of operation in those regions.

Fifth, the relationship between the appropriate scale of operation of grainfields and enhancing operator quality. Practice in various localities indicates that a large number of peasant entrepreneurs well-versed in operation and management may come forth through the appropriate scale of operation of grainfields, and that the rate of development of appropriate scale of operation of grainfields, the scope of contracting, and the quality of such operation depend on the quality of the operators. Therefore, paying attention to the selection of operators, strengthening their training, and helping improve their quality is key to better scale operation. By setting up associations of large farming households, some provinces have managed to spread their techniques and experience on a constant basis and help scale of operation managers continuously improve the scientific and technological standards of their management. This is a good method for improving the quality of scale of operation managers.

Agriculture Officials on Future of Grain Production

HK3001031095 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 p 7

[Report on "exclusive interview" with "senior agricultural officials" by Wu Yunhe at national conference on agricultural work; place and date not given: "Grain Land Shrinks, Yields Grow"—First paragraph is BUSINESS WEEKLY Editor's Note Published in Boldface and Enclosed in a Box]

[FBIS Transcribed Text] The nation's strong economic growth has so far been accompanied by higher-than-expected levels of inflation—a phenomenon most often attributed to insufficient agricultural production. At the invitation of the Ministry of Agriculture, Business Weekly staff reporter Wu Yunhe covered the Chinese Government's recently held national conference on agricultural work and files these reports featuring his exclusive interviews with the country's senior agricultural officials. China will have to deal with the critical challenges facing its grain production over the next six years, the Ministry of Agriculture said.

The countryside's arable land will see a shrinkage of 1.2 million hectares from now to the year 2000. In contrast, the country's population, numbered more than 1.1 billion people, are giving birth to about 21 million babies

annually although China's birth rate of 18.09 per thousand is already low, ministry officials said.

The rising domestic demand for food and the shrinkage of farmland due to the country's massive construction have combined to create a big headache for the central government. Challenges are even more extreme when considering plans to make the country self-sufficient in grain supply over the next decade.

The ministry noted that China plans to see its annual grain production reach more than 500 million tons by the year 2000, an increase of about 50 million tons from 1993.

Also, it is predicted that by the turn of this century the country's per capita grain consumption will be lower than 1993.

The ministry experts predict that if the country's population is 1.28 billion people by 2000, the nationwide per capita grain output will be 390 kilograms, a slight rise of 3 kilograms from 1993.

However, the nation's per capita grain consumption will drop due to the development of the cereal-consuming industries such as alcoholic manufacturing and the development of animal husbandry.

Agricultural Minister Liu Jiang said that the only way to ensure that China will be a self-sufficient nation in both grain production and supply, is to raise the grain yields through the help of technology. He also encourages the Chinese people to eat more meat.

An official agricultural development programme shows that the country's per capita meat output will reach 37.4 kilograms in 2000, 5 kilograms higher than 1993. Grass-fed animals such as cattle, sheep and poultry are being encouraged, instead of pigs.

Annual per capita fish yield will also rise to 22.2 kilograms by the turn of this century, up 6.8 kilograms from 1993.

Liu noted that the country will be able to feed its huge population, if it adopts several measures to keep its agriculture competitive in the world.

Over the next six years, while rising meat production is expected to supplement the shortage in grain supply, the country's grain-growing area should remain at a steady level of around 110 million hectares.

This will be despite the use of some rural lands for infrastructure development by the government, he added.

To realize this ambition, China should strive to open up its uncultivated areas for agriculture¹ production. Areas for possible development include wastelands, barren hills, mountains, marsh lands and waste pools and lakes.

An official estimate shows that these unused lands have a total area of more than the country's current grain farmland of about 100 million hectares.

The cotton farmland of the country should be 5.7 million hectares to 6 million hectares by the year 2000.

By 2000, China's edible oil farmland is estimated to be 11 million hectares; sugar farmland, 1.7 million hectares, and growing lands of vegetables and melons and gourds are also expected to reach 8.7 million hectares.

Liu also noted that there is increasing agricultural investment and popularization of the latest technology which stimulates the per capita grain yields. These major factors ensure the upward momentum of the country's agricultural production over the years to come.

Northwest Benefits from Agricultural Development

OW2901100795 Beijing XINHUA in English 0938 GMT 29 Jan 95

[FBIS Transcribed Text] Xi'an, January 28 (XINHUA)—Farmers in China's vast arid northwest region have produced more grain and had more income thanks to a comprehensive agricultural development program the local governments have carried out for seven years.

For example, Local farmers in Dingxi Prefecture in Gansu Province have had enough to eat and wear since the grain output and annual income per capita in the area have nearly doubled.

Located on the four plateaus of Loess, Mongolia, Qinghai-Tibet and the Pamirs, the northwest, comprising Shaanxi, Gansu, Qinghai provinces and Xinjiang Uygur and Ningxia Hui autonomous regions, is one of China's poorest areas, with arid, saline-alkali land and adverse weather conditions.

Starting in 1988, the central and local governments appropriated a total of three billion yuan for putting the comprehensive agricultural development program into action. To date, the program relating to grain, cotton, oil-bearing crops and animal husbandry has resulted in marked achievements.

Being the pioneer in carrying out the program, Xinjiang Uygur Autonomous Region has realized the target of having the newly cultivated land increasing by 27,000 ha every year, as well as of increasing the output of grain by 368 million kg every year, cotton by 74.15 million kg, oil-bearing crops by 19.56 million kg, beets by 935 million kg, meat by 2.9 million kg.

Shaanxi Province sustained good harvests for the last two years despite of being struck by everlasting drought. It reported an increase of nearly 200 million kg of grain, nine million kg of cotton, 6.6 million kg of oil-bearing crops and 1.8 million kg of meat in the last two years.

With the implementation of land upgrading, irrigation projects and grass growing projects, now the northwest

region presented a scene in which green farmlands dotted everywhere the previous saline-alkali soil lands.

According to statistics provided by the local areas, in the seven years, the northwest has succeeded in transforming 533,000 ha of low-yielding lands, cultivating 240,000 ha of wastelands, bringing 440,000 ha of land under irrigation, building 133,000 ha of shelter forest belts and fostering 840,000 ha of grasslands, as well as promoting the use of mechanic equipments and new techniques among the farmers, meanwhile having millions of them trained in farming skills.

Provinces, City Report Crop Procurement

Shaanxi Cotton

95CE0183J Xian SHAANXI RIBAO in Chinese 18 Dec 94 p 1

[FBIS Summary] As of 12 December, Shaanxi Province had procured 120,000 dan of cotton.

Heilongjiang Grain

95CE0183K Harbin HEILONGJIANG RIBAO in Chinese 8 Jan 95 p 1

[FBIS Summary] As of 28 December, Heilongjiang Province had procured 4.94 billion kg of grain.

Shanghai Grain

95CE0183N Beijing NONGMIN RIBAO in Chinese 4 Jan 95 p 1

[FBIS Summary] As of 30 December, Shanghai had procured 266,500 tons of autumn grain, fulfilling 96.7 percent of the procurement plan.

Feed Industry Booming in Guangdong Province

OW2901090995 Beijing XINHUA in English 0731 GMT 29 Jan 95

[FBIS Transcribed Text] Guangzhou, January 29 (XINHUA)—South China's Guangdong Province has achieved a fast growth of its feed industry over the past few years.

The province has now nearly 300 feed processing businesses, with an annual production capacity of over 3.6 million tons. The total feed output for the first time exceeded five million tons last year, ranking first in the country.

Local officials attributed the boom of the industry to flexible methods of management and introduction of advanced equipment and technology.

The annual output from this sector is expected to reach eight million tons by the year 2000.

Hunan Sets Agricultural Goals for 1995

95CE0183M Changsha HUNAN RIBAO in Chinese
19 Jan 95 p 1

[FBIS Summary] Hunan Province has set the following targets for agriculture in 1995: gross output of grain to exceed 26.5 billion kilograms, gross output of cotton to exceed 250,000 tons, and the cotton area will be about 3.5 million mu.

Jilin Reports 1994 Agricultural Harvest

95CE0183L Changchun JILIN RIBAO in Chinese
6 Jan 95 p 1

[FBIS Summary] In 1994 the gross output of grain in Jilin Province reached 20.2 billion kilograms, an increase of 1.15 billion kilograms over 1993; and vegetable output 6 million tons, an increase of 1 million tons. Estimated farmer per capita net income exceeded 1200 yuan, an increase of 891 yuan or 34.6 percent. Estimated gross value of agricultural output is 24.9 billion yuan, a 6.8 percent increase.

Shaanxi Research Center Reaps Agricultural Successes

01/2601133895 Beijing XINHUA in English 1238
GMT 26 Jan 95

[FBIS Transcribed Text] Xian, January 26 (XINHUA)—A science and research center in northwest China's Shaanxi Province has by itself added about 80 million tons of wheat to the country.

The improved wheat seedlings cultivated in the Yangling Agricultural Science and Research Center in central Shaanxi have been distributed over about 100 million ha [hectare] throughout China.

The research center is located in the central part of Shaanxi, where, legend has it, the father of China's agriculture, Houji, taught people how to plant and harvest.

Eleven agricultural research institutions, such as the Northwest China Agriculture University, the Northwest China Water and Earth Conservancy Institute of the Chinese Academy of Sciences, and the Shaanxi Agricultural Sciences Academy, cluster together in the Yangling center, with as many as 5,000 persons, including some members of the Chinese Academy of Sciences, working in 180 or so offices.

For over 40 years, they have put capital and time into wheat research in genetic engineering, ecology, processing, and pest and disease prevention.

XINHUA has learned that the dozens of improved seedlings planted in northern and eastern China have resulted in production worth more than 10 billion yuan, about 40 times the amount of the official investment in the center.

Of the six kinds of wheat strains with the most widespread use, four were produced in the Yangling center, which also provided four of the 12 best wheat strains for making bread in China.

Li Zhensheng, a scientist in the Northwest Plant Research Institute, developed some varieties of improved wheats by crossbreeding wheat with some weeds, paving a new way for breeding wheat.

No.6 Xiaoyan, one of the species bred by Li, has been a staple of about 6.7 million ha. of farmland in eastern, northern, central and northwestern China since 1981.

Li Like, an agronomist, found a new method of cultivating wheat on dry land, which improved wheat production by over 100 percent when applied in north China.

Yangling center has come up with more than 5,000 research findings, 70 of them having won national prizes, and 10 even leading in their area in the world, according to statistics.

The center also made breakthroughs in the study of the Tibetan environment, as well as in apple cultivation and sheep breeding.

Five national experimental areas covering 6,000 sq [square] km on the Loess Plateau have come under the center's control, with the ecological balance improved, soil erosion reduced, and agricultural, forestry, and husbandry production increased by 1.2 billion yuan.

The researchers at Yangling have also not neglected putting their achievements to more practical usage.

Since 1989, the provincial agricultural academy has been focusing on upgrading the agricultural production of 18 neighboring counties, where grain production was raised to 2.6 million tons from 2 million tons.

Shanghai Farmland Expected To Produce Large Yields

HK3001030295 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 p 5

[By Chen Qide: "City Prods Big Output From Nearby Farmland"]

[FBIS Transcribed Text] For each of the next three years, Shanghai's farming gross domestic product (GDP) is expected to grow by 15 per cent to 18 per cent, faster than the city's overall economic growth, said Shanghai Mayor Huang Ju.

The citywide target for growth is set at 10 to 12 per cent.

In fact, last year's GDP in the suburban areas grew by 20 per cent over 1993, to 47 billion yuan (\$5.53 billion).

"Suburbs are still an important sector in the city's economic development," Huang said.

Huang urged the suburbs to grasp the chance presented by the outward relocation of urban industries over the next three years to promote the rural economy.

According to a municipal farming working conference held recently, 60 urban factories will be moved to the suburbs in each of the next three years.

"The drive is aimed at restructuring local industry as well as promoting construction of the central business district," said an official with the Shanghai Economic Commission.

These urban factories will be shifted to rural industrial zones.

As an example, the official cited the Bureau of Textile Industry, which moved factories out of 160 urban parcels covering 1.1 million square metres, and set up new industrial bases in Qingpu County and the Baoshan District.

"The move has boosted not only growth of the rural economy but urbanization of the suburbs," he noted.

In the past four years, 20 county-level industrial zones have been established and many urban factories relocated to these areas.

Four municipal-level industrial zones also have been set up in Pudong (East Shanghai), Songjiang County and Jiading District.

Four more industrial zones in Minhang District and Qingpu, Fengxian and Jinshan counties are awaiting approval.

"These industrial zones will become the manufacturing centres of the city's new industries," the official said.

Mayor Huang also called on the suburbs to introduce more overseas capital to stimulate the rural economy as well as speed up rural urbanization.

Attention will also be focused on reforming the rural enterprise system and farming management, Huang said.

Shanxi Speeds Up Agricultural Development

*OW2901094195 Beijing XINHUA in English 0745
GMT 29 Jan 95*

[FBIS Transcribed Text] Taiyuan, January 28 (XINHUA)—North China's Shanxi Province has been exerting itself to develop agriculture by expanding cooperation with the outside world.

The province introduced more than 100 agricultural improved varieties of grains and dozens of items of new technologies in seeding, breeding and processing sectors from the U.S, Japan, the Netherlands, France and Italy in recent years to modernize local agriculture and meet the demands of international markets.

Some local farm products including corns, beans, dates and potatoes have been enjoying high reputation in overseas markets. Local officials said that greater efforts will be made to increase the quantity of such exports and improving their quality.

The province's held its first agricultural fair in 1993, bringing in nearly 40 million U.S. dollars and 70 million yuan from overseas and domestic investors involved in 36 agricultural cooperation projects.

Statistics show that the province invested some 250 million yuan in the construction of more than 500 production and processing bases for agricultural and sideline products in recent years.

East Region

Anhui CPC Congress Decision on Discipline Inspection Work

OW3001100495 Hefei Anhui People's Radio Network in Mandarin 1100 GMT 20 Jan 95

[From the "Provincial Hookup" program]

[FBIS Translated Text] The following is a decision adopted by the Sixth Provincial Anhui CPC Congress concerning a work report made by the Commission for Discipline Inspection under the Provincial Anhui CPC Committee. The decision was adopted at the Fourth Plenary Session of the Sixth Provincial Anhui CPC Congress on 20 January 1995.

The Sixth Provincial Anhui CPC Congress approved a work report delivered by Comrade Chen Guanglin on behalf of the Commission for Discipline Inspection under the Provincial Anhui CPC Committee. Over the past five years, the Provincial Commission for Discipline Inspection and commissions for discipline inspection at all levels in the province conscientiously carried out the functions of discipline inspection. They did a great deal of work and achieved marked successes in improving the party's work style, building a clean and honest government, and the anticorruption struggle. They safeguarded and promoted the drive of reform, opening, and socialist modernization. The meeting was satisfied with the work done by the provincial commission for discipline inspection.

The meeting urged that, guided by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, commissions for discipline inspection at all levels in the province should always persist in serving the party's basic line and further improve their discipline inspection work in light of the party's overall interests. Party committees at all levels should strengthen their leadership over the discipline inspection work, adhere to the principle of using rigorous methods to consolidate the party, and unswervingly carry out the drive of improving the party's work style, building a clean and honest government, and the anticorruption struggle. They should work hard to improve the work of party building.

Jiangsu Province CPPCC Meeting Ends

OW2901131595 Nanjing XINHUA RIBAO in Chinese 10 Jan 95 pp 1, 3

[By Zheng Xie (6774 0588): "Ninth Standing Committee Meeting of the Seventh Provincial Committee of the Chinese People's Political Consultative Conference Ends; Senior Officials of Democratic Parties, Mass Organizations Unanimously Endorse the Guidelines of the Provincial Party Congress"]

[FBIS Translated Excerpt] On 9 January, the ninth meeting of the Seventh Chinese People's Political Consultative Conference [CPPCC] Jiangsu Provincial Committee ended.

During the two-day meeting, members earnestly studied and discussed in groups Comrade Chen Huanyou's important speech; while representatives from the democratic parties, the federation of industry and commerce, mass organizations, and people without party affiliation made speeches at the general session. They unanimously approved and endorsed Comrade Chen Huanyou's report at the Ninth Provincial CPC Congress and the resolutions adopted by the congress; endorsed the provincial CPC committee's new leading collective elected by the congress; and pledged to diligently study, publicize, and implement the Ninth Provincial CPC Congress guidelines.

Tong Fu, chairman of the Revolutionary Committee of the Chinese Kuomintang Jiangsu Provincial Committee, said: We shall strive to establish the mechanism for participating in the administration of state affairs and for improving ourselves; and shall work together with the CPC in all sincerity, and exert our utmost to achieve the magnificent goal set by the provincial CPC congress and to promote the great undertaking of motherland reunification.

Jiang Ping, vice chairman of the Jiangsu Provincial Committee's China Democratic League, said: "Invigorating Jiangsu with science and education" is an important strategy for accomplishing modernization in the province. League members throughout Jiangsu shall explore new areas and seek new ways for bringing into play their strong points and special features. They shall assist the CPC and government in stepping up the building of socialist spiritual civilization and in promoting the flourishing of scientific and educational undertakings in the province.

Chen Suiheng, chairman of the Jiangsu Provincial Committee's China Democratic National Construction Association, said: The association shall bring into play its advantage of close ties with the economic circles in fulfilling the duties of participating in the administration and discussion of state affairs and of exercising democratic supervision. In the near future, the association shall sponsor special investigation and study focused on reform of large and medium state-owned enterprises and on common development of the provincial economy, thereby making its share of contributions to the implementation of the guidelines of the Provincial CPC Congress.

Zhang Chenxuan, chairman of the Jiangsu Provincial Committee's China Association for Promoting Democracy, said: In the final analysis, the success of the socialist modernization drive hinges upon the ideological and moral standard and scientific and cultural quality of the entire nation. In implementing the strategy of "Invigorating Jiangsu with science and education," particular attention must be paid to improving moral education in schools. As most association members are middle and primary school teachers we shall fulfill our duty with utter devotion to develop education, to raise

the quality of education, and to train and bring up talented people of various fields. [passage omitted]

The meeting adopted a "resolution on studying and implementing the Ninth Jiangsu Provincial CPC Congress guidelines)" and the "Decision on Convening the Third Session of the Seventh CPPCC Jiangsu Provincial Committee."

Members also held earnest discussion and made suggestions for revising the "government work report (draft for solicitation of opinions)" to be submitted to the Third Session of the Eighth Provincial People's Congress.

Chairman Sun Han made the closing speech. He said: The CPPCC provincial committee shall make organizing members diligently study the Ninth Provincial CPC Congress guidelines as one of the major tasks in the first half of this year. It shall mobilize members at large to actively publicize the guidelines to all members of the democratic parties, the federation of industry and commerce, and mass organizations, as well as personalities in various circles, so as to mobilize all positive factors to contribute to the modernization drive. Sun Han also outlined preparations underway for the Third Session of the Seventh CPPCC Provincial Committee.

Shandong Secretary Speaks at Spring Festival Party

SK2801052095 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 27 Jan 95

[FBIS Translated Text] On the morning of 27 January, the club at the Nanjiao Guest House in Jinan resounded with cheers and laughter, filled with an enthusiastic atmosphere. Jointly sponsoring in the club a tea party for personages from various circles to celebrate the 1995 Spring Festival were the Shandong Provincial CPC Committee, the provincial people's congress Standing Committee, the provincial people's government, and the provincial Chinese People's Political Consultative Conference [CPPCC] committee. In holding the tea party this year, the province has changed its former method of letting various fronts respectively hold their tea party on the occasion of the Spring Festival. In line with the spirit of conforming to the principle of simplicity, practicing economics, and proceeding from reality, the province has held a unified tea party, combining all tea parties that deserve to be held by various fronts.

During the tea party, comrades and friends from party, government, and army organs as well as from various fronts and social circles happily got together to jointly celebrate the Spring Festival by enjoying a cup of tea and exchanging festive greetings.

Attending yesterday's tea party were provincial leading comrades, including Zhao Zhihao, Li Chunting, Li Wenquan, Han Xikai, Chen Jianguo, Song Fatang, and Li Zhen; members of the provincial party Standing Committee; responsible comrades from the provincial people's congress Standing Committee, the provincial

people's government, and the provincial CPPCC committee; veteran comrades of deputy leaders from the provincial level organs; veteran comrades from the provincial military district; responsible persons from various democratic parties and the provincial industry and commerce federation; deputies of the National People's Congress and members of the National CPPCC Committee, who are currently in Jinan; representatives of overseas Chinese family members and of Taiwan compatriots and Taiwan compatriots' family members; representatives from various fronts and various industries and trades as well as model workers; and representatives from various social circles and armed police officers and fighters—more than 420 in total.

Li Chunting, deputy secretary of the provincial party committee and vice governor of the province, presided over the tea party. During the party, Zhao Zhihao, secretary of the provincial party committee and governor of the province, delivered an ebullient speech in which he first extended good wishes to all participants and to personages from various democratic parties as well as nonparty personages on behalf of the provincial party committee, the provincial people's congress Standing Committee, the provincial people's government, and the provincial CPPCC committee. He also extended cordial regards and festive greetings to the workers, peasants, intellectuals, and cadres of various nationalities across the province; to the officers and fighters of the People's Liberation Army [PLA] units stationed in the province; to the officers and fighters of armed police forces; to cadres and policemen on the public security front; and to overseas Chinese and the compatriots in Taiwan, Hong Kong, and Macao whose native land is Shandong Province.

Zhao Zhihao stated: Over the past year, people across the province have deeply implemented the spirit of the 14th CPC Congress and the spirit of the Third and Fourth Plenary Sessions of the 14th CPC Central Committee under the guidance of the theory of Comrade Deng Xiaoping with regard to building socialism with Chinese characteristics, and under the guidance of the party's basic line. They have also seized the opportunity, deepened reform, broadened opening up, promoted development, and maintained stability. The province's situation as a whole has been fine. The enterprises of primary, secondary, and tertiary industries have shown a large-scale increase. Undertakings in the fields of science and technology, education, culture, public health, and physical culture and sports have achieved new progress. The province has achieved new development in building the socialist spiritual civilization, in building party organizations, in building democracy and legal systems, and in waging struggles against corruption.

Zhao Zhihao pointed out: 1995 is the last year of enforcing the Eighth Five-Year Plan, and also the year to lay the foundation for the Ninth Five-Year Plan. We should more unswervingly uphold the theory of Comrade Deng Xiaoping with regard to building socialism

with Chinese characteristics, and the party's basic line according to the demands set by the central authorities with regard to unifying thinking, letting reform play a dominant role in the overall work, enhancing coordination, and doing work in a down-to-earth manner. We should also implement in an overall manner the spirit of the 14th CPC congress and the spirit of the Third and Fourth Plenary Sessions of the 14th CPC Central Committee, and continuously grasp the entire situation in the work undertaken by the entire party and country. A good job should be done in further dealing with the relations among reform, development, and stability; in accelerating the pace of establishing the systems of a socialist market economy; in promoting the national economy to achieve sustained, rapid, and healthy development; and in realistically building up a socialist spiritual civilization as well as democracy and legal systems so as to promote society to achieve overall progress.

Lastly, Zhao Zhihao stated: Fresh achievements and progress have emerged everywhere as time goes by, year after year. In the new year, let's more closely rally round the CPC Central Committee with Comrade Jiang Zemin at the core, and unite as one in striving to win a new victory in reform, opening up, and modernization.

During the party, a domestic-made feature film entitled "QIAO QIAN ZHI XI" was shown.

Shanghai's Telecom Services To Double by 1997

HK3001030095 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 p 5

[By Li Wei: "Telecom Services To Wire Up Metropolis"]

[FBIS Transcribed Text] Shanghai's telephone network will feature switching capacity surpassing 4.5 million lines and 3.2 million subscribers by 1997 all doubling the present figures, according to a three-year plan.

Vice-Minister of Posts and Telecommunications Lin Jinquan and Shanghai Vice-Mayor Xia Keqiang convened an industry meeting to examine post and telecom progress in the city.

By 1997, the number of telephones per 100 residents will rise to 24, with the supply of mobile telephone lines meeting market demand. The city also will open narrow-band voice, digital and video-phone telecom services.

For postal business, the city will establish and expand 400 post offices and set up 100 new postal savings offices, develop international emergency mail services, and complete phases one and two of the postal service computerization programme known as the "green card project."

Over 200 ATMs are to be installed and the ordinary mail service will be upgraded.

Shanghai has constructed a 3,000-kilometre fibre optic telecom cable, giving momentum to development of high-speed telecommunication. At present, the focus is

on wiring the Pudong New Area, the Hongqiao Economic Development Zone and the future financial street along the Bund.

Central-South Region

Guangdong Governor Briefs Foreign Envoys on Economy

OW2701094895 Beijing XINHUA in English 0831 GMT 27 Jan 95

[FBIS Transcribed Text] Guangzhou, January 27 (XINHUA)—Zhu Senlin, governor of south China's Guangdong Province met with the consuls general of Poland, Australia, Viet Nam, the United States, Thailand, Malaysia, Japan, and Canada here Thursday [26 January], briefing them on local economic development over the past year.

Zhu said that Guangdong witnessed sustained and rapid economic development in 1994 with the Gross Domestic Product hitting 417.5 billion yuan, an increase of 18 percent from the previous year.

Total industrial output was valued at 562 billion yuan, a hefty 26.5 percent rise, he explained, adding that despite last year's disastrous floods, Guangdong also saw an increase in grain production, with agricultural output value climbing by 3.7 percent.

The governor added that the province's exports last year topped 50.2 billion U.S. dollars and the amount of use of foreign funds jumped to 11.46 billion U.S. dollars, a 34 and 18 percent rise, respectively, from 1993.

"For Guangdong, 1995 is a year of quality and efficiency," Zhu said.

As for this year's economic work, the province will focus its efforts on improving economic returns in industrial production and helping businesses that are in the red extricate themselves from their difficulties.

Efforts will be made to impose moderate controls on capital investment, to improve the supply capacity of grain and non-staple foods, and to control prices.

He said that the price index of retail goods in Guangdong last year was held to a growth rate of 18.9 percent, which was lower than that for most of the provinces in the country.

Guangzhou Attains Record Economic Growth in '94

OW2801080895 Beijing XINHUA in English 0728 GMT 28 Jan 95

[FBIS Transcribed Text] Guangzhou, January 28 (XINHUA)—This capital of South China's Guangdong Province became the leading city in the country last year in terms of the per capita share of the gross domestic output—15,000 yuan.

By maintaining a fast, harmonious and healthy economic growth, the city yielded a record gross domestic output of 97 billion yuan in 1994, a 20 percent rise from the previous year.

Last year, the total amount of workers' pay in Guangzhou reached 16.925 billion yuan, an increase of 28.5 percent from 1993, and the average per capita income of farmers hit 3,670 yuan, an increase of 38 percent.

According to a recent sample survey, the average income of the urban residents in Guangzhou amounted to 7,046 yuan, an inflation-adjusted rise of 17.82 percent.

The survey showed that the city's total retail sales of consumer goods topped 39.4 billion yuan, adjusted for inflation, an increase of 11.49 percent from the previous year.

Meanwhile, the average living space per person of the urban residents in Guangzhou rose to 9.13 sq m [square meters], with over 70 percent of the residents living in apartments equipped with all necessary facilities.

The living space in the rural areas reached 25.33 sq m per person, on average.

And in spite of natural disasters last year, the total agricultural output value jumped by 11.3 percent to 5.6 billion yuan while that of industry went up to 114.8 billion yuan, a 21.95 percent rise.

Guangzhou Leads Cities in Per Capita GDP

OW3001021795 Beijing XINHUA in English 0135
GMT 30 Jan 95

[FBIS Transcribed Text] Guangzhou, January 30 (XINHUA)—Guangzhou, capital of south China's Guangdong Province, increased its gross domestic product (GDP) to 97 billion yuan, with a per capita GDP of 15,000 yuan, leading the 10 largest cities in China in 1994.

The city has thus fulfilled ahead of time its target of improving the per capita GDP to 15,000 yuan by the end of this century.

Investigation showed that the annual per capita income in the city averaged 7,046 yuan in 1994, a rise of 17.8 percent over the previous year, and the retail sales increased by 11.4 percent to 39.4 billion yuan last year.

In the meantime, over 70 percent of the residents in urban area now live in apartment houses, with per capita living space rising to 9.13 sq m., and each resident in the suburbs has floor space of up to 25.3 sq m, all leading the country.

Guangxi Adopts Laws To Aid Adoption of Market Economy

OW2801154495 Beijing XINHUA in English 1452
GMT 28 Jan 95

[FBIS Transcribed Text] Nanning, January 28 (XINHUA)—The Guangxi Zhuang Autonomous Region in

south China has accelerated the process of formulating local regulations and rules in a bid to facilitate the establishment of a market economic structure.

An official of the Standing Committee of the Regional People's Congress said that the congress promulgated 23 sets of regulations in 1994, double the number in the previous year.

Of the 23 sets, 14 deal with economic affairs, the official said.

The regulations for standardizing the operation of a market economy include the Regulations Governing Individual-Run Industrial and Commercial Firms, and the Regulations Concerning Private Companies.

The regulations for maintaining a normal market and economic order include the Regulations Regarding the Supervision and Management of the Product Quality, and the Regulations on the Evaluation and Management of Assets Involving Foreign Investment.

The Regional People's Congress has formulated a number of regulations to maintain social stability and ensure the establishment of a market economic structure, the official said.

These include detailed rules for the implementation of five laws: the Law on Safety in Mines, the Law on Safeguarding the Legal Rights of the Handicapped, the Law on the Protection of People Under the Age of 18, the Law On the Protection of Women's Rights and Interests, and the Trade Union Law.

The Detailed Rules for the implementation of the Law on Safeguarding the Legal Rights of the Handicapped stipulate that government departments, mass organizations, enterprises, and urban and rural collectively-owned businesses must employ the handicapped according to a certain ration to their workforce.

The official said that over the past year the Standing Committee of the Regional People's Congress has revised the draft Regulations on the Autonomy in Guangxi, and the regulations governing the autonomy in 12 autonomous counties.

It has also formulated detailed rules for the implementation of the Regulations Concerning the Autonomy in Autonomous Counties.

Guangxi has also formulated a number of regulations to meet the local need in accordance with relevant laws, he said.

For example, Guangxi is the first in China to promulgate regulations governing the management of sports sites.

North Region

Beijing To Concentrate on Infrastructure Construction

OW2801094795 Beijing XINHUA in English 0821
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—Beijing will stop building luxury villas this year

to concentrate funds on infrastructure construction, upgrading of old and dilapidated housing and key projects in agriculture, science and technology and education, the city government announced this week.

Speaking at a recent City Economic Conference, Deputy Mayor of the Chinese capital Wang Baosen said that the city's state-owned companies and institutions plan to spend 49 billion yuan on fixed assets this year, up 29 percent over 1994.

Wang pledged efforts to ensure the progress of top priority projects in 1995 through tightening control over the scale of investment in fixed assets.

"To this end, it is imperative to improve the management of the real estate sector and exercise strict control over the land development" he said.

This year the city will not approve in principle the construction of new luxury hotels, office buildings, villas or recreational facilities, he added.

Beijing will concentrate on improving dilapidated housing, and building public housing and workers' residential quarters, Wang said.

This year, the city will also spend a total of 16.66 billion yuan, including foreign funds, on roads, waterworks, power plants, gasworks and heat-supply plants, including overpasses and expressways linking the city proper with two suburban counties.

Beijing will add one million kw to its power-generating capacity this year by expanding one existing power plant and building new ones.

Three waterworks will be expanded or upgraded this year to increase the city's annual water supply by half a million tons.

The city also plans to increase the area of central heating by two million square meters this year, and efforts will be made to speed up the laying of a natural gas pipeline from Shaanxi Province on the west of the city to Beijing.

Beijing Holds Work Meeting of Subordinate Organs

SK3001075295 Beijing *BEIJING RIBAO* in Chinese 15 Jan 95 p 1

[By reporter Ding Yatao (0002 0068 7290): "It is Necessary To Exert Strenuous Efforts To Strengthen the Building of Leading Organs This Year"]

[FBIS Translated Text] The three-day meeting on the work of organs directly under the municipal party committee ended on 14 January. Chen Xitong, secretary of the municipal party committee, gave a speech in which he pointed out: This year it is necessary to exert strenuous efforts to strengthen the building of leading organs, universally conduct discussions on "three services"

among the leading organs at all levels across the municipality, and further cultivate the consciousness of "three services."

Duan Bingren, member of the standing committee of the municipal party committee and secretary general, presided over the meeting.

At the meeting, Yang Guangzhi, executive deputy secretary of the work committee of organs directly under the municipal party committee, delivered a report to sum up the party's work of the organs during the past year, and studied and made arrangements for this year's work. The meeting proposed that during this year the organs directly under the municipal party committee should take the decisions of the third and fourth plenary sessions of the 14th CPC Central Committee and the spirit of the central authorities on "seizing the opportunity, deepening reforms, expanding opening up, promoting development, and maintaining stability" as the guidance while carrying out the party's work, conscientiously implement the outlines of the three-year party building plan of the municipal party committee, give priority to grasping the building of ideology, theories, grass-roots party organizations, and work style; act in close connection with the central task of the municipal party committee, comprehensively strengthen the party building of organs, give full play to the assistant and supervisory role of the party organizations of organs in administrative leadership, and guarantee the smooth implementation of all tasks of the organs.

In his speech, Chen Xitong fully affirmed the work achievements of the organs directly under the municipal party committee. He said: Over the past year, the work committee of organs directly under the municipal party committee have worked very hard and given full play to their assistant and supervisory role. Last year the municipality as a whole achieved new progress in all undertakings, made breakthroughs in some aspects, and made a big stride in realizing the objective of attaining the level of moderate prosperity three years ahead of schedule. All these achievements should not be separated from the leading organs' efforts to strengthen the party's work and the efforts of the comrades engaged in the party's work of organs.

Chen Xitong said: To guarantee the accomplishment of the capital's various tasks this year, we must strengthen the building of leading organs. Last year's municipality-wide discussion activity on the ideology, work style, and professional image has played a great role in building the work style of leading organs and in raising their work efficiency. This is a very vivid form of self-education. Leading organs are in a very important position. The central authorities and the municipal party committee have to rely on leading organs to implement their policy decisions, and all fields of work have to be promoted by the leading organs. Only by successfully building the leading organs can we realistically exercise correct and effective leadership, mobilize the masses, and turn the

spirit into substance. This year we should further strengthen building leading organs, raise the level and quality of leading bodies and office personnel, and make Beijing Municipality's work become more effective.

Chen Xitong pointed out: This year the development priorities of leading organs across the municipality should be placed on grasping four aspects of work well: First, they should attend to enhancing the consciousness of "three services." Beijing is the country's political and cultural center as well as one of the centers for international and domestic contacts. Beijing's work is to serve the central authorities, the international and domestic contacts, and the people. As far as the leading organs at all levels are concerned, the "capital's consciousness" is mainly the consciousness of giving "three services." It is necessary to universally conduct self-education on "three services" among leading organs at all levels across the municipality, further cultivate the consciousness of "three services," find out where they are lagging behind in ideology and work, and put forward demands and measures for improvement. Second, they should strengthen theoretical study and profoundly understand Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the central principles and policies. This is one of the important tasks for strengthening the building of leading organs. Third, they should strengthen unity among leading organs and among each and every member of the leading bodies and leading organs. Unity is strength. If the leading bodies fail to maintain unity, it is impossible for them to become a collective with fighting strength. Fourth, they should continue to give play to the fine work style of being the first to bear hardships and the last to enjoy comforts, be strict with themselves, always care for the hardships and voice of the masses, share the common fate of the masses, and serve the people with full enthusiasm. Only by attaining this ideological realm, can they keep themselves clean and diligent and achieve good results in building the work style.

Secretaries of the party committees of various organs directly under the municipal party committee attended the meeting.

Inner Mongolia People's Congress Meeting Concludes

SK3001063895 Hohhot NEIMENGGU RIBAO in Chinese 13 Jan 95 p 1

[By reporter Wang Rantong (3769 3544 1749): "The 12th Standing Committee Meeting of the Eighth Regional People's Congress Concludes"]

[FBIS Translated Excerpts] The third session of the eighth regional people's congress will be held in Hohhot on 15 April. This was decided by the 12th Standing Committee meeting of the eighth regional people's congress, which concluded on the afternoon of 12 January.

Yu Xinglong, vice chairman of the regional people's congress Standing Committee, presided over the third

plenary meeting held on the afternoon of 12 January. Liu Zuohui, Yi Junhua, Liu Zhenyi, Cui Weiyue, Jia Cai, Liu Zhen, Wang Xiumei, and Liu Xiaowang—vice chairmen of the regional people's congress Standing Committee—and the secretary general and committee members, a total of 44 people, attended the meeting.

Bao Wenfa, vice chairman of the regional government; Zhang Hesong, chief procurator of the regional people's procuratorate; and responsible persons of the regional higher people's court attended the meeting as observers.

The meeting adopted the "Inner Mongolia Regulations on National Defense education" and the "Inner Mongolia Regulations on Agricultural Environmental Protection."

At the second plenary meeting held on the morning of 12 January, Wu Liji, chairman of the regional government, and Liu Zuohui, vice chairman of the regional people's congress Standing Committee, gave briefings respectively on the appointments and removals of personnel. The third plenary meeting adopted the decision on accepting the request of Yun Bulong on resigning from his post as vice chairman of the regional government. The meeting decided to appoint Wang Fengqi and Baoyindeliger vice chairmen of the regional government.

The meeting decided to dismiss Zhou Dehai from his post as chairman of the regional Economic and Trade Commission and to appoint Yun Feng chairman of the regional Economic and Trade Commission.

It also dismissed Wang Shangluo from his post as chairman of the Alxa League Work Committee of the regional people's congress Standing Committee and appointed Fu Laiwang chairman of the Alxa League Work Committee of the regional people's congress Standing Committee.

The meeting conscientiously examined and discussed the 1995 (draft) work priorities of the regional people's congress Standing Committee, proposed opinions and suggestions for revisions, decided to instruct the General Office to make revisions after the meeting and to print them for distribution after submitting them to the chairmanship meeting for examination and approval. [passage omitted]

After the meeting, Yu Xinglong presided over a ceremony to present letters of appointment to the appointed personnel.

Responsible persons of the regional people's congress Standing Committee organs and of various committees, responsible persons of the work committees of various leagues, responsible persons of relevant departments and bureaus of the regional government, and responsible persons of the political department of the Inner Mongolia Military District, of the people's congress Standing Committees of cities with the establishment of districts, and of some democratic parties attended the meeting as observers.

Northeast Region

Heilongjiang Reports on Industrial Enterprises

SK2901031595 Harbin Heilongjiang People's Radio
Network in Mandarin 1000 GMT 28 Jan 95

[FBIS Translated Text] The overall situation in the operation of industrial enterprises across the province in 1994 was basically normal. Their production and sales remained in a state of stable growth. According to data compiled by the provincial statistical bureau, they realized 177.82 billion yuan of total industrial output value, an 8.9 percent increase over 1993. However, state-owned enterprises still suffer from the problem of production slump; cannot achieve marked improvements in their economic results; and are short of funds.

By proceeding from the reality of industrial enterprises in 1994, the provincial party committee and provincial people's government brought along the economic development in the province as a whole by making all-out efforts to open the second battlefield and foster new economic growing points. Township enterprises achieved swift and violent development. The output value achieved by township-run industrial enterprises in 1994 totalled 9.184 billion yuan, showing a 60.93 percent increase over 1993. The new economic growing points of various categories achieved rapid development. The output value achieved by non state-owned industrial enterprises in 1994 totalled 30.54 billion yuan, showing a 24.9 percent increase over 1993. The development of light industry in the province as a whole was accelerated, and the structure between light and heavy industries was somewhat improved. Light industrial enterprises achieved a change to their trend of production slump, which had cropped up since the beginning of 1994, by readjusting their product mix and developing township-run light industry. They achieved 38.9 billion yuan of output value in 1994, an 11.5 percent increase over 1993. The proportion between light and heavy industries, which had somewhat improved, went from 30.6 percent/69.4 percent in 1993 to 32.2 percent/67.8 percent in 1994. Although the province's trend in industrial development was positively upward, the deep-rooted contradictions that have restricted the province's economic development in past years have not been dealt with, and represent the prominent problem currently encountered by the province in developing its industries. State-owned enterprises have suffered consecutive production slumps because of macro readjustment and control, mandatory planning for state-owned enterprises, and the backwardness in their technologies and equipment. The province has not made marked improvement in its economic results. By excluding price hikes, the total volume of profits earned by industrial enterprises across the province during the January-November period in 1994 was minus 1.22 billion yuan, showing a 1.02 billion yuan increase [as heard] over the same period in 1993. Factors that restrict the funds of

industrial enterprises across the province are still prominent. Currently, 80 percent of enterprises in the province are short of funds. According to data offered by the provincial statistical bureau, the province's total industrial output value in 1995 will show an 8-9 percent increase over 1994. In order to fulfill the plan, the province will further enhance its dynamics in deepening reform among state-owned enterprises; opening the second battlefield; and accelerating the pilot work of establishing modern enterprises systems.

Jilin's He Zhukang Attends Congress Meeting

SK2801133995 Changchun JILIN RIBAO in Chinese
14 Jan 95 p 1

[FBIS Translated Text] The 14th meeting of the Eighth Provincial People's Congress Standing Committee opened on 13 January. During the meeting, the participating members will discuss and approve the "decision made by the provincial people's congress standing committee on convening the third session of the eighth provincial people's congress."

Chairman He Zhukang presided over the meeting's plenum that morning and Vice Chairman Ke Muyun delivered a report at the plenum on relaying the spirit of the 11th meeting of the Eighth National People's Congress Standing Committee. During the meeting, the participating members heard the report given by Ding Shisheng, deputy secretary general of the provincial people's government and director of the office under the provincial people's government in charge of managing the development zones, on the explanation of the "provincial regulations (draft) on the management over the provincial level development zones;" on the explanation of the "regulations (draft) on the labor management of economic and technical development zones in Changchun;" and on the explanation of the "regulations (draft) on the registration management of enterprises in the Changchun economic and technical development zones." In giving an explanation to the "provincial regulations (draft) on the management over the provincial level development zones," Ding Shisheng stated: Jilin Province began to establish its development zones in 1988. By the end of 1994, the province as a whole had established 16 development zones. Through the two-year development and construction, these development zones have scored marked achievements. As of now, they have signed the contracts on development projects with foreign countries, which have involved \$800 million. The volume of actually-utilized foreign capital has reached \$230 million. The newly-increased output value scored by these development zones in 1994 reached 4 billion yuan and showed a one-fold increase over 1993. In order to realistically enhance construction and management among these development zones to broaden the operation of attracting foreign capital, the provincial people's government has successively issued the relevant policies and regulations that have played a certain promoting role in building up these development zones. However,

the development zones across the province still have some problems in their management. In particular, the legal rights and interests of foreign investors in these development zones cannot be satisfactorily protected because of a lack of a complete set of local legal documents. Therefore, in order to accelerate the construction of development zones, it is very necessary to enable these development zones to get on the track of standardization and legalization as soon as possible.

Items on the meeting's agenda also include the discussion and approval on the "regulations of supervisory work undertaken by the Changchun city people's congress standing committee," on the "regulations on the agricultural technical popularization of Changchun city," on the "regulations on the management over the medical institutions in Changchun," on the "regulations on the management over the urban commercial networks and centers in Changchun," and on the "regulations on the management over the national-level Songhuahu places of scenery and historic relics in Jilin city." These items also include the hearing and discussion on the report given by the provincial people's government with regard to deepening the reform and enforcing shareholding and cooperative systems among township enterprises across the province; on the report given by the government with regard to the implementation of "every law and regulation" in supervising and inspecting imported and exported commodities; and on the reports given by the committees of legal affairs, agriculture and the economy, civil affairs, overseas Chinese affairs, and foreign affairs, which are under the provincial people's congress, with regard to the handling of motions submitted by the presidium of the second session of the eighth provincial people's congress. They also include the discussion and approval on the "report given by the credential committee under the standing committee of the eighth provincial people's congress with regard to the examination of candidates for the election of supplementary deputies for the eighth provincial people's congress" and on the decision of personnel changes.

Attending the meeting were vice chairmen of the provincial people's congress standing committee, including Gu Changchun, Chen Zhenkang, Ren Junjie, Shang Zhenling, Zeng Xiaozhen, Yuan Boxiong, Xu Ruren, and Agula, as well as members of the provincial people's congress standing committee—42 persons in total.

Attending the meeting as observers were Vice Governor Wang Guofa; Yang Qingxiang, president of the provincial higher people's court; and Li Shangwu, chief procurator of the provincial people's procuratorate.

Jilin Secretary Speaks at Work Forum

SK2901054795 *Changchun JILIN RIBAO in Chinese*
13 Jan 95 pp 1, 6

[By reporter Li Yong (2621 0516): "In Line With the Entire Situation, a Good Job Should Be Further Done in Conducting Procuratorial Work"]

[FBIS Translated Excerpt] Listening to the work report made by the provincial people's procuratorate, and holding a forum with procuratorial cadres at or above the section level, on the afternoon of 11 January were He Zhukang, secretary of the provincial party committee, and Wang Jinshan, deputy secretary of the provincial party committee. During the forum, He Zhukang fully acknowledged the work done by procuratorial organs at all levels across the province. He urged procuratorial organs across the province to emancipate their minds, heighten their understanding, and engage in their work in a down-to-earth manner in line with the entire situation in the work undertaken by the entire party and country. He also urged them to fully play their functional role in rendering effective services for improving the province's economy to a new level and for accelerating the target of becoming better-off. [passage omitted]

He Zhukang pointed out: In line with the law, procuratorial organs across the province should independently exercise their procuratorial rights; realistically assume the duties of law and supervision; and strictly enforce the law. Meanwhile, they should pay attention to successfully carrying out coordination with relevant departments and fostering powerful forces with them so as to deal strict blows at serious criminal activities. Procuratorial organs should actively accept the leadership of party committees and the supervision of the people's congress. Party committees should actively eliminate the obstruction encountered by procuratorial organs in their work, and should help them deal with practical difficulties. We should deal blows by adopting legal measures against those who have committed the crimes of giving unprincipled protection to convicts and of standing in the way of handling cases. We should also enhance the study of the cases committed by leading cadres with regard to the serious dereliction of duty, and put forward methods to handle them.

Lastly, He Zhukang stressed: We should realistically enhance the construction of procuratorial personnel contingents. Generally speaking, the contingent of procuratorial personnel is good and can be trusted by the party and people. In line with the development of the situation, we should set a higher standard for the demand to build procuratorial personnel contingents. We should establish a first-class contingent of procurators. This is long-term work with a strategic nature. Procuratorial organs should earnestly uphold the principles of democratic centralism as well as enhance their party building and the construction of leading bodies so as to bring along the construction of personnel contingents. A good job should be done in conducting the training and exchange of cadres, of reinforcing the mechanism of internal restriction, and of strictly and impartially enforcing the law and discipline so as to enable the construction of personnel contingents to truly conform to the demands of the party and people as well as the need of the developing situation. [passage omitted]

Yin Chengjie, deputy secretary general of the provincial party committee, also attended the forum.

Jilin To Stabilize Grain Prices, Production

*OW2801154095 Beijing XINHUA in English 1512
GMT 28 Jan 95*

[FBIS Transcribed Text] Changchun, January 28 (XINHUA)—Jilin, a major grain producer in northeast China, recently set up a provincial grain risk fund with 300 million yuan.

The fund is aimed at stabilizing the grain market, preventing drastic changes of grain prices, protecting the interests of producers and consumers and promoting the grain production and the reform of the grain circulation system, provincial officials said.

For many years the province's grain production has been developing steadily, but because of natural disasters and

changes on the international market, its grain prices have also experienced relatively big ups and downs.

The risk fund is targeted at tackling the problem, officials said. When market prices are lower than the government regulated purchase price, the government will trust state-owned grain sector to purchase the farmers' grain at the government price; when market prices are excessively high, the government will trust the state-owned grain sector to sell the grain to put down prices. The difference between the sales and cost prices will be paid for from the risk fund.

Following the establishment of the provincial fund, prefectures and cities are also preparing for their own grain risk funds.

Coverage on Jiang Zemin's 'Reunification' Speech**Text of Jiang Speech**

OW3001064395 Beijing XINHUA in English 0618
GMT 30 Jan 95

[FBIS Transcribed Text] Beijing, January 30 (XINHUA)—Following is the full text of a speech entitled "Continue to Promote the Reunification of the Motherland" made by Jiang Zemin, General Secretary of the Central Committee of the Communist Party of China (CPC) and the Chinese president, here today:

Comrades and friends,

[XINHUA domestic service in Chinese at 0652 GMT on 30 January in a similar report reads: "Continue to Promote the Reunification of the Motherland"

By Jiang Zemin on 30 January 1995

Comrades and friends"....] Following the celebration of the 1995 New Year's Day, the people of all ethnic groups in China are now seeing in the Spring Festival. On the occasion of this traditional festival of the Chinese nation, it is of great significance for the Taiwan compatriots in Beijing and other personages concerned to be gathered here to discuss the future of the relations between the two sides of the Taiwan Straits and the great cause of the peaceful reunification of the motherland. On behalf of the Central Committee of the Communist Party of China and the State Council, I should like to take this opportunity to wish our 21 million compatriots in Taiwan a happy New Year and the best of luck.

Taiwan is an integral part of China. A hundred years ago on April 17, 1895, the Japanese imperialists, by waging a war against the corrupt government of the Qing Dynasty, forced the latter to sign the Shimonoseki Treaty of national betrayal and humiliation. Under the treaty, Japan seized Taiwan and the Penghu Islands, subjecting the people of Taiwan to its colonial rule for half a century. The Chinese people will never forget this humiliating chapter of their history. Fifty years ago, together with the people of other countries, the Chinese people defeated the Japanese imperialists. October 25, 1945 saw the return of Taiwan and the Penghu Islands to China and marked the end of Japan's colonial rule over our compatriots in Taiwan. [Variant XINHUA report reads: "Since the return of Taiwan and the Panghu Islands to China on 25 October 1945, our compatriots in Taiwan have shaken off the yoke of colonial rule."] However, for reasons everybody knows, Taiwan has been severed from the Chinese Mainland since 1949. It remains the sacred mission and lofty goal of the entire Chinese people to achieve the reunification [Variant XINHUA report reads: "...people to achieve complete (wan quan 1346 0356) reunification of the"...] of the motherland and promote the all-round revitalization of the Chinese nation.

Since the Standing Committee of the National People's Congress issued its "Message To the Taiwan Compatriots" In January 1979, we have formulated the basic principles of peaceful reunification and "one country, two systems" and a series of policies towards Taiwan. Comrade Deng Xiaoping, the chief architect of China's reform and opening to the outside world, is also the inventor of the great concept of "one country, two systems". With foresight and seeking truth from facts, he put forward a series of important theories and ideas concerning the settlement of the Taiwan question which reflect the distinct features of the times, and defined the guiding principles for the peaceful reunification of the motherland.

Comrade Deng Xiaoping has pointed out that the most important issue is the reunification of the motherland. All descendants of the Chinese nation wish to see China reunified. It is against the will of the Chinese nation to see it divided. There is only one China, and Taiwan is a part of China. We will never allow there to be "two Chinas" or "one China, one Taiwan". We firmly oppose the "independence of Taiwan." There are only two ways to settle the Taiwan question: One is by peaceful means and the other is by non-peaceful means. The way the Taiwan question is to be settled is China's internal affairs [Variant XINHUA report reads: "...be settled is completely (wan guan shi 1346 0356 2508) China's internal affairs"...], and brooks no foreign interference. We consistently stand for achieving reunification by peaceful means and through negotiations. But we shall not undertake not to use force. Such commitment would only make it impossible to achieve peaceful reunification and could not but lead to the eventual settlement of the question by the use of force. After Taiwan is reunified with the mainland, China will pursue the policy of "one country, two systems". The main part of the country will stick to the socialist system, while Taiwan will retain its current system. "Reunification does not mean that the mainland will swallow up Taiwan, nor does it mean that Taiwan will swallow up the mainland." After Taiwan's reunification with the mainland, its social and economic systems will not change, nor will its way of life and its non-governmental relations with foreign countries, which means that foreign investments in Taiwan and the non-governmental exchanges between Taiwan and other countries will not be affected. As a special administrative region, Taiwan will exercise a high degree of autonomy and enjoy legislative and independent judicial power, including that of final adjudication. It may also retain its armed forces and administer its party, governmental and military systems by itself. The Central Government will not station troops or send administrative personnel there. What is more, a number of posts in the Central Government will be made available to Taiwan.

Over the past decade and more, under the guidance of the basic principles of peaceful reunification and "one country, two systems" and through the concerted efforts of the compatriots on both sides of the Taiwan Straits [Variant XINHUA report reads: "basic principles of

'peaceful reunification; and one country, two systems' of the Taiwan"....] and in Hong Kong and Macao and Chinese residing abroad, visits back and forth by individuals and exchanges in science, technology, culture, academic affairs, sports and other fields have expanded vigorously. A situation in which the economies of the two sides promote, complement and benefit each other is taking shape. The establishment of direct links between the two sides for postal, air, and shipping services at an early date not only represents the strong desire of vast numbers of compatriots in Taiwan, particularly industrialists and businessmen, but has also become the actual requirement for future economic development in Taiwan. Progress has been registered in the negotiations on specific issues, and the "Wang Daohan-Koo Chenfu talks" represent an important, historic step forward in the relations between the two sides.

However, what the entire Chinese people should watch out for is the growing separatist tendency and the increasingly rampant activities of the forces working for the "independence of Taiwan" on the island in recent years. Certain foreign forces have further meddled in the issue of Taiwan, interfering in China's internal affairs. All this not only impedes the process of China's peaceful reunification but also threatens peace, stability and development in the Asia-Pacific region.

The current international situation is still complex and volatile, but in general, it is moving towards relaxation. All countries in the world are working out their economic strategies which face the future and taking it as a task of primary importance to increase their overall national strength so as to take up their proper places in the world in the next century. We are pleased to see that the economies of both sides are growing. In 1997 and 1999 China will resume its exercise of sovereignty over Hong Kong and Macao respectively, which will be happy events for the Chinese people of all ethnic groups, including our compatriots in Taiwan. The Chinese nation has experienced many vicissitudes and hardships, and now it is high time to accomplish the reunification of the motherland and bring about its all-round rejuvenation. This means an opportunity for both Taiwan and the entire Chinese nation. Here, I should like to state the following views and propositions on a number of important questions that have a bearing on the development of relations between the two sides and the promotion of the peaceful reunification of the motherland:

1. Adherence to the principle of one China is the basis and premise for peaceful reunification. China's sovereignty and territory must never be allowed to suffer split. We must firmly oppose any words or actions aimed at creating an "independent Taiwan" and the propositions "split the country and rule under separate regimes", "two Chinas over a certain period of time", etc., which are in contravention of the principle of one China.

2. We do not challenge the development of non-governmental economic and cultural ties by Taiwan with

other countries. Under the principle of one China and in accordance with the charters of the relevant international organizations, Taiwan has become a member of the Asian Development Bank, the Asia-Pacific Economic Cooperation forum and other international economic organizations in the name of "Chinese Taipei". However, we oppose Taiwan's activities in "expanding its living space internationally" which are aimed at creating "two Chinas" or "one China, one Taiwan". All patriotic compatriots in Taiwan and other people of insight understand that instead of solving the problems, such activities can only help the forces working for the "independence of Taiwan" undermine the process of peaceful reunification more unscrupulously. Only after the peaceful reunification is accomplished can the Taiwan compatriots and other Chinese people of all ethnic groups truly and fully share the dignity and honor attained by our great motherland internationally.

3. It has been our consistent stand to hold negotiations with the Taiwan authorities on the peaceful reunification of the motherland. Representatives from the various political parties and mass organizations on both sides of the Taiwan Straits can be invited to participate in such talks. I said in my report at the Fourteenth National Congress of the Communist Party of China held in October 1992, "On the premise that there is only one China, we are prepared to talk with the Taiwan authorities about any matter, including the form that official negotiations should take [Variant XINHUA report reads: "... form that official cross-strait negotiations should take ..."], a form that would be acceptable to both sides. By "on the premise that there is only one China, we are prepared to talk with the Taiwan authorities about any matter", we mean naturally that all matters of concern to the Taiwan authorities are included. We have proposed time and again that negotiations should be held on officially ending the state of hostility between the two sides and accomplishing peaceful reunification step by step. [Variant XINHUA report reads: "... be held on 'officially ending the state of hostility between the two sides' and accomplishing peaceful"....] Here again I solemnly propose that such negotiations be held. I suggest that, as the first step, negotiations should be held and an agreement reached on officially ending the state of hostility between the two sides in accordance with the principle that there is only one China. [Variant XINHUA report reads: "... agreement reached on 'officially ending the state of hostility between the two sides' in accordance with"....] On this basis, the two sides should undertake jointly to safeguard China's sovereignty and territorial integrity and map out plans for the future development of their relations. As regards the name, place and form of these political talks, a solution acceptable to both sides can certainly be found so long as consultations on an equal footing can be held at an early date.

4. We should strive for the peaceful reunification of the motherland since Chinese should not fight fellow Chinese. Our not undertaking to give up the use of force is

not directed against [Variant XINHUA report reads: ...“of force is absolutely not directed against”...] our compatriots in Taiwan but against the schemes of foreign forces to interfere with China's reunification and to bring about the “independence of Taiwan”. We are fully confident that our compatriots in Taiwan, Hong Kong and Macao and those residing overseas would understand our principled position. [Variant XINHUA report reads: ...“of Taiwan”. We fully believe that our compatriots”...]

5. In face of the development of the world economy in the twenty-first century, great efforts should be made to expand the economic exchanges and cooperation between the two sides of the Taiwan Straits so as to achieve prosperity on both sides to the benefit of the entire Chinese nation. We hold that political differences should not affect or interfere with the economic cooperation between the two sides. We shall continue to implement over a long period of time the policy of encouraging industrialists and businessmen from Taiwan to invest in the mainland and enforce the Law of the People's Republic of China for Protecting the Investment of the Compatriots of Taiwan. Whatever the circumstances may be, we shall safeguard the legitimate rights and interests of industrialists and businessmen from Taiwan. We should continue to expand contacts and exchanges between our compatriots on both sides so as to increase mutual understanding and trust. Since the direct links for postal, air and shipping services and trade between the two sides are the objective requirements for their economic development and contacts in various fields, and since they are in the interests of the people on both sides, it is absolutely necessary to adopt practical measures to speed up the establishment of such direct links. Efforts should be made to promote negotiations on certain specific issues between the two sides. We are in favor of conducting this kind of negotiations on the basis of reciprocity and mutual benefit and signing non-governmental agreements on the protection of the rights and interests of industrialists and businessmen from Taiwan.

6. The splendid culture of 5 000 years created by the sons and daughters of all ethnic groups of China has become the tie keeping the entire Chinese people close at heart and constitutes an important [Variant XINHUA report reads: ...“China has become the spiritual tie holding the entire Chinese people together and constitutes a”...] basis for the peaceful reunification of the motherland. People on both sides of the Taiwan Straits should inherit and carry forward the fine traditions of the Chinese culture.

7. The 21 million compatriots in Taiwan, whether born there or in other provinces, are all Chinese and our own flesh and blood. We should fully respect their life style and their wish to be the masters of our country and protect all their legitimate rights and interest. The relevant departments of our party and the government including the agencies stationed abroad should

strengthen close ties with compatriots from Taiwan, listen to their views and demands, be concerned with and take into account their interests and make every effort to help them solve their problems. We hope that Taiwan Island enjoys social stability, economic growth and affluence. We also hope that all political parties in Taiwan will adopt a sensible, forward-looking and constructive attitude and promote the expansion of relations between the two sides. All parties and personages of all circles in Taiwan are welcome to exchange views with us on relations between the two sides and on peaceful reunification and are also welcome to pay a visit and tour places. All personages from various circles who have contributed to the reunification of China will go down in history for their deeds.

8. Leaders of the Taiwan authorities are welcome to pay visits in appropriate capacities. We are also ready to accept invitations from the Taiwan side to visit Taiwan. We can discuss state affairs, or exchange ideas on certain questions first. Even a simple visit to the other side will be useful. The affairs of Chinese people should be handled by ourselves, something that does not take an international occasion to accomplish. Separated across the Straits, our people eagerly look forward to meeting each other. They should be able to exchange visits, instead of being kept from seeing each other all their lives.

Our compatriots in Hong Kong and Macao and those residing overseas have made dedicated efforts to promote the relations between the two sides, the reunification of the country and the revitalization of the Chinese nation. Their contribution commands recognition. We hope that they will make new contributions in this regard.

The reunification of the motherland is the common aspiration of the Chinese people. The patriotic compatriots do not wish to see reunification delayed indefinitely. The great revolutionary forerunner of the Chinese nation Dr. Sun Yatsen once said: “Reunification is the hope of entire nationals in China. If reunification can be achieved, the people of the whole country will enjoy a happy life; if it cannot be achieved, the people will suffer.” We appeal to all Chinese to unite and hold high the great banner of patriotism, uphold reunification, oppose secession, spare no effort to promote the expansion of relations between the two sides and facilitate the accomplishment of the reunification of the motherland. In the course of the development of the Chinese nation in the modern world, such a glorious day will surely come.

Jiang on Reunification

OW3001054095 Beijing XINHUA in English 0501
GMT 30 Jan 95

[FBIS Transcribed Text] Beijing, January 30 (XINHUA)—Jiang Zemin, General Secretary of the Central Committee of the Communist Party of China (CPC) and

Chinese President, today made an important speech entitled "Continue to Promote the Reunification of the Motherland" and stated eight views and propositions on important questions that have a bearing on the development of relations between the two sides of the Taiwan Straits and the promotion of the peaceful reunification of the motherland.

Jiang delivered the speech at a tea party in the Great Hall of the People, which was also attended by Li Ruihuan, member of the Standing Committee of the Political Bureau of the CPC Central Committee and Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and leading members of non-communist parties, prominent figures from all walks of life and representatives of Taiwan compatriots and their family members in Beijing to mark the traditional Chinese Lunar New Year that falls tomorrow.

The tea party was presided over by Qian Qichen, Member of the Political Bureau of the CPC Central Committee and Vice-premier of the State Council.

In his important speech, Jiang, on behalf of the CPC Central Committee and the State Council, wished the 21 million compatriots in Taiwan a happy New Year and the best of luck.

He said, "On the occasion of this traditional festival of the Chinese nation, it is of great significance for the Taiwan compatriots in Beijing and other personages concerned to be gathered here to discuss the future of the relations between the two sides of the Taiwan Straits and the great cause of the peaceful reunification of the motherland."

Jiang pointed out, "It remains the sacred mission and lofty goal of the entire Chinese people to achieve the reunification of the motherland and promote the all-round revitalization of the Chinese nation."

He said that Comrade Deng Xiaoping, the chief architect of China's reform and opening to the outside world, is also the inventor of the great concept of "one country, two systems". With foresight and seeking truth from facts, he put forward a series of important theories and ideas concerning the settlement of the Taiwan question, which reflect the distinct features of the times, and defined the guiding principles for the peaceful reunification of the motherland.

The general secretary noted, "However, what the entire Chinese people should watch out for is the growing separatist tendency and the increasingly rampant activities of the forces working for the 'independence of Taiwan' on the island in recent years. Certain foreign forces have further meddled in the issue of Taiwan, interfering in China's internal affairs. All this not only impedes the process of China's peaceful reunification but also threatens peace, stability and development in the Asia-Pacific region."

Jiang also put forward eight views and propositions on a number of important questions that have a bearing on the development of relations between the two sides of the Taiwan Straits and the promotion of the peaceful reunification of the motherland.

The views and propositions include:

Firstly, adherence to the principle of one China is the basis and premise for peaceful reunification. China's sovereignty and territory must never be allowed to suffer split. We must firmly oppose any words or actions aimed at creating an "independent Taiwan" and the propositions which are in contravention of the principle of one China.

Secondly, We do not challenge the development of non-governmental economic and cultural ties by Taiwan with other countries. However, we oppose Taiwan's activities in "expanding its living space internationally" which are aimed at creating "two Chinas" or "one China, one Taiwan". Only after the peaceful reunification is accomplished can the Taiwan compatriots and other Chinese people of all ethnic groups truly and fully share the dignity and honor attained by our great motherland internationally.

Thirdly, to hold negotiations between the two sides on the peaceful reunification of the motherland. Representatives from the various political parties and mass organizations on both sides of the Taiwan Straits can be invited to participate in such talks. On the premise that there is only one China, we are prepared to talk about any matter, including all matters of concern to the Taiwan authorities. As the first step, negotiations should be held and an agreement reached on officially ending the state of hostility between the two sides. On this basis, the two sides should undertake jointly to safeguard China's sovereignty and territorial integrity and map out plans for the future development of their relations.

Fourthly, We should strive for the peaceful reunification of the motherland since Chinese should not fight fellow Chinese. Our not undertaking to give up the use of force is not directed against our compatriots in Taiwan but against the schemes of foreign forces to interfere with China's reunification and to bring about the "independence of Taiwan".

Fifthly, Great efforts should be made to expand the economic exchanges and cooperation between the two sides of the Taiwan Straits so as to achieve prosperity on both sides to the benefit of the entire Chinese nation. We hold that political differences should not affect or interfere with the economic cooperation between the two sides. We are in favor of conducting the kind of negotiations on the basis of reciprocity and mutual benefit and signing non-governmental agreements on the protection of the rights and interests of industrialists and businessmen from Taiwan. Whatever the circumstances may be, we shall safeguard the legitimate rights and interests of industrialists and businessmen from Taiwan.

Sixthly, The splendid culture of Chinese nation has become ties keeping the entire Chinese people close at heart and constitutes an important basis for the peaceful reunification of the motherland. People on both sides of the Taiwan Straits should inherit and carry forward the fine traditions of the Chinese culture.

Seventhly, We should fully respect the life style of the compatriots in Taiwan and their wish to be the masters of our country and protect all their legitimate rights and interests. The relevant departments of our party and the government including the agencies stationed abroad should strengthen close ties with compatriots from Taiwan, listen to their views and demands, be concerned with and take into account their interest and make very effort to help them solve their problems. All parties and personages of all circles in Taiwan are welcome to exchange views with us on relations between the two sides and on peaceful reunification and are also welcome to pay a visit and tour places.

Eighthly, Leaders of the Taiwan authorities are welcome to pay visits in appropriate capacities. We are also ready to accept invitations from the Taiwan side to visit Taiwan. We can discuss state affairs, or exchange ideas on certain questions first. The affairs of Chinese people should be handled by ourselves, something that does not take an international occasion to accomplish.

Jiang pointed out that the reunification of the motherland is the common aspiration of the Chinese people. "The patriotic compatriots do not wish to see reunification delayed indefinitely."

Jiang appealed to all Chinese to unite and hold high the great banner of patriotism, uphold reunification, oppose secession, spare no effort to promote the expansion of relations between the two sides and facilitate the accomplishment of the reunification of the motherland.

The tea party was jointly sponsored by seven departments in charge of affairs related to Taiwan and reunification of China.

Qian Weichang, Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference and also president of the China Council for Promotion of the Peaceful Reunification, and Zhang Kehui, Chairman of the All-China Federation of Taiwan Compatriots and also Vice Chairman of Taiwan Democratic Self-Government League, also delivered speeches at the gathering, which was attended by more than 500 prominent people here.

Jiang Urges Peace Talks

OW3001065795 Beijing Central People's Radio
Network in Mandarin 0300 GMT 30 Jan 95

[FBIS Translated Text] Jiang Zemin, General Secretary of the CPC Central Committee and President of the PRC, and Li Ruihuan, member of the Standing Committee of the CPC Central Committee Political Bureau

and chairman of the Chinese People's Political Consultative Conference [CPPCC] National Committee, attended a tea party in the Great Hall of the People this morning. The two leaders and the responsible persons of democratic parties and the All-China Federation of Industry and Commerce, representatives of well-known figures of various circles, and representatives of Taiwan compatriots and Taiwan compatriots' relatives in Beijing happily gathered in the same hall to celebrate the traditional festival of the Chinese nation together.

Qian Qichen, member of the CPC Central Committee Political Bureau and vice premier of the State Council, presided over the tea party. During the tea party, General Secretary Jiang Zemin delivered an important speech entitled: Continue To Work Hard To Promote the Completion of the Great Undertaking of the Motherland's Reunification.

He put forward eight important views [kan fa] and propositions [zhu zhang] on the development of cross-strait relations and on the promotion of the motherland's peaceful reunification process at the present stage. In his speech, Jiang Zemin first extended his New Year greetings to the 21 million Taiwan compatriots on behalf of the CPC Central Committee and the State Council. He wished the Taiwan compatriots a Happy New Year and success in everything.

He said: On the eve of the Spring Festival, it is very meaningful that the Taiwan compatriots in Beijing and the personages of relevant circles are happily gathering in this hall to discuss the prospects of the cross-strait relations and the great undertaking of the motherland's reunification.

Jiang Zemin said: At present, Taiwan and the motherland's mainland are still separated from each other [chu yu fen li zhuang tai] for reasons known to all. To achieve a complete reunification of the motherland and promote an all-around rejuvenation of the Chinese nation remains a sacred mission and lofty goal of all Chinese people.

He said: Comrade Deng Xiaoping is the chief architect of China's reform and opening up, as well as the founder of the great concept of "one country, two systems." Seeking truth from facts with great foresight, Comrade Deng Xiaoping has put forward a series of important theses and thinking with distinct features of the times for the settlement of the Taiwan question. He has laid down a guiding principle for achieving the peaceful reunification of the motherland. Under the guidance of the basic principle of peaceful reunification and "one country, two systems" and with joint efforts made by the compatriots on both sides of the Taiwan Straits, Hong Kong and Macao compatriots, and overseas Chinese compatriots over the last decade and more, the cross-strait exchanges between the people on both sides and the cross-strait exchanges in the scientific, technological, cultural, academic, sports fields have developed vigorously. A situation in which the economies of the two sides promote,

supplement, and benefit each other is beginning to take shape. However, what merits the vigilance of all Chinese people is that the tendency of separation [fen li qing xiang] has developed to some extent, and the "Taiwan independence" activities are becoming rampant on the island of Taiwan in recent years. Certain foreign forces have taken a further step to meddle in the Taiwan question and interfere with China's internal affairs. These activities not only are obstructing the process of China's peaceful reunification, but also are threatening peace, stability, and development in Asia-Pacific region.

Jiang Zemin said: China will resume the exercise of sovereignty over Hong Kong and Macao in 1997 and 1999, respectively. This will be a happy event [yi jian da xi she] for the people of all nationalities across the country, including Taiwan compatriots. The Chinese nation has experienced many vicissitudes and sufferings. Now it is time to complete the great undertaking of the motherland's reunification and achieve an all-around rejuvenation. This is an opportunity for Taiwan, as well as for the entire Chinese nation.

Jiang Zemin put forward eight views and propositions on certain important questions concerning the development of the cross-strait relations and the promotion of the motherland's peaceful reunification process at the present stage. They include the following:

1. We should adhere to the "one China" principle. We will absolutely brook no division [fen ge] of China's sovereignty and territory. Any speeches and deeds in creating "Taiwan independence" and any views in violation of the "one China" principle should be resolutely opposed.

2. We have no objection to Taiwan's development of non-governmental economic and cultural relations with foreign countries. However, we are opposed to Taiwan's activities of so-called "expansion of room to survive in the international community" for the purpose of practicing "two Chinas" or "one China, one Taiwan." Only after peaceful reunification is achieved can Taiwan compatriots join the people of all nationalities across the country in truly and fully enjoying the dignity and honor of our great motherland in the international community.

3. We should start talks on peaceful reunification between the two sides of the strait. In the course of such talks, representative personages of political parties and organizations on either side of the strait may be asked to join the talks. On the premise that there is only one China, all topics, including issues in which the Taiwan authorities are interested, can be put on the table. As a first step, the two sides may hold talks on formally ending the state of hostility on the two sides of the strait and reach an agreement. On the basis of this, the two would jointly shoulder the responsibility of safeguarding China's sovereignty and territorial integrity and formulate plans for development of cross-strait relations in the future.

4. We should work hard for the attainment of peaceful reunification. Chinese do not fight Chinese. We refuse to make the commitment not to use force. This is by no means directed against the compatriots of Taiwan, but at foreign forces that interfere in China's reunification and at the scheme of making Taiwan independent.

5. We should vigorously develop cross-strait economic exchange and cooperation for the sake of common prosperity across the strait and benefit of the Chinese nation as a whole. It is our stand that we should not let political differences sway or hinder cross-strait economic cooperation. Under all circumstances, we will fully protect Taiwan businessmen's every legitimate right and interest. We should take actual steps to bring about direct postal, transport, and trade links at an early date. We should promote cross-strait talks on routine affairs. We stand for, on a reciprocal and mutually beneficial basis, holding talks and signing a non-governmental agreement on protecting the rights and interests in regard to Taiwan businessmen's investment.

6. The Chinese culture is a spiritual bond holding together all Chinese nationals; it is also an essential basis on which peaceful reunification will be accomplished. People across the strait should jointly carry forward the fine tradition of Chinese culture.

7. We should fully respect the way of life of the Taiwan compatriots, respect their wish to be masters of their own affairs, and protect their every legitimate right and interest. Relevant party and government departments, including their agencies abroad, must increase contacts with Taiwan compatriots, listen to their views and wishes, show concern for and take care of their interests, and help them solve their difficulties whenever possible. We wish to see social stability, economic prosperity, and affluence on the island of Taiwan. We also wish to see that the political parties in Taiwan will advance the development of cross-strait relations with a rational, forward-looking, and constructive approach. We welcome exchange of views on cross-strait ties and peaceful reunification with various political parties and people on all walks of life in Taiwan; we also welcome them to come for a visit. History will forever remember the service of people from all quarters who have made contributions to China's reunification.

8. We welcome leaders of the Taiwan authorities to come for a visit in an appropriate capacity. We are also ready to visit Taiwan at the invitation of the Taiwan side. We can discuss state affairs or exchange views on some issues first. Even a mere exchange of visits would be useful. Matters among Chinese should be handled among ourselves, and there is no need for any international venue.

In conclusion, Jiang Zemin said: It is the common wish of the Chinese people that the motherland achieves reunification at an early date. No patriotic Chinese would want to see reunification indefinitely delayed. We urge that all Chinese be united, hoist high the banner of

patriotism, uphold unification, oppose secession, and spare no efforts in promoting cross-strait relations and bringing about the accomplishment of the great cause of motherland reunification. This glorious day in the development of modern China will certainly arrive.

The tea party was jointly sponsored by the Office of Taiwan Affairs of CPC Central Committee, the Office of Taiwan Affairs under the State Council, the Taiwan Democratic Self-Government League [TDSGL], the China Council for Promoting Peaceful Reunification [CCPPR], the Committee for Reunification of the Motherland [CRM] under the CPPCC National Committee, the All-China Federation of Taiwan Compatriots [ACFTC], and the Association for Relations Across the Taiwan Straits [ARATS].

Qian Weichang, vice chairman of the CPPCC National Committee and president of the CCPPR; and Zhang Kehui, ACFTC president and vice chairman of the TDSGL, spoke respectively on behalf of the TDSGL, CCPPR, CRM, ACFTC, and ARATS.

Vice Chairmen of the Standing Committee of the National People's Congress including Fei Xiaotong, Lei Jieqiong, Wang Guangying, Cheng Siyuan, Li Peiyao, Wu Jieping; and Luo Gan, state councillor and secretary general of the State Council; vice chairmen of the CPPCC National Committee including Wang Zhaoguo, Sun Fuling, and Wan Guoquan and officials of the CPC Central Committee, State Council, and other relevant departments, over 500 in all, attended the tea party.

New Association To Promote Direct 'Contacts'

OW2601124895 Beijing XINHUA Domestic Service in Chinese 0836 GMT 18 Jan 95

[By reporter Liu Gang (0491 0474)]

[FBIS Translated Text] Beijing, 18 Jan (XINHUA)—In an interview with Taiwan reporters today, Mr. Meng Guangju, chairman of the Cross-Strait Navigation Exchange Association [CSNEA], said: The CSNEA would like to do more work in promoting people-to-people contacts between ports and shipping industries on the two sides of the strait to realize direct cross-strait shipping links and promote the process of the motherland's peaceful reunification.

Meng Guangju said: The major tasks of CSNEA, which just announced its establishment, are: studying various economic and technical problems arising from cross-strait marine transportation; submitting suggestions to competent government authorities for reference; promoting various exchanges and cooperation between ports, shipping industries, businesses, and academic circles on the two sides of the strait; and offering consultative services to ports and shipping industries on the two sides for their economic and technical cooperation as well as academic exchange.

According to Meng Guangju, after over nearly two years of preparations, the CSNEA has launched many activities conducive to exchanges between ports and shipping industries on the two sides, received some 150 visits from their Taiwan counterparts; and, for the first time, organized the visit of 24 mainland experts and scholars from the mainland's shipping businesses to Taiwan, in which they conducted fact-finding tours to Taiwan's three major ports—Gaoxiong [Kaohsiung], Taichung [Taichung], and Jilong [Keelung]. The CSNEA has participated in two "cross-strait marine transportation symposiums," at which many consensuses were reached, through academic discussions, on navigation through telecommunications, relief of shipwrecks, navigation on separate routes, and other issues concerning cross-strait marine transportation. The CSNEA has also addressed cases of economic disputes emerging from indirect cross-strait marine shipping to relevant departments and groups and negotiated with them to safeguard legitimate rights and interests of interested parties on both sides.

Meng Guangju said: In line with the nation's righteous cause, the National People's Congress Standing Committee proposed establishing the "three links" [postal, trade, and transportation] as early as 1979. Presently, all of the mainland's open ports are basically equipped with the technical conditions for direct shipping across the strait. The two sides of the strait should conduct consultations on the principle of "one China, two-way direct transport, reciprocity, and mutual benefit" to realize direct transport across the strait as soon as possible.

More Media Reportage on Cross-Straits Talks

Sides Discuss Hijackers

OW2801172995 Beijing China Radio International in Mandarin to Asia 0900 GMT 25 Jan 95

[From the "Report on Current Events" program]

[FBIS Translated Text] Dear listeners and friends: Mainland China and Taiwan reached a complete consensus on two agreements on the repatriation of airliner hijackers and illegal immigrants during the afternoon of 24 January. In this connection, Wang Zhaoguo, a senior CPC official in charge of Taiwan affairs, said that the Association for Relations Across the Taiwan Strait [ARATS] and Taiwan's Strait Exchange Foundation [SEF] have become an important channel for protecting the legitimate rights and interests of compatriots on both sides of the Taiwan Strait. The following are the relevant details sent in by (Luo She), who writes our station's stories for the "Report on Current Events Program":

After repeated negotiations lasting more than a year, the persons in charge of the ARATS and Taiwan's SEF, the two authorized nongovernmental organizations on both sides of the Taiwan Strait, announced during Tuesday [24 January] afternoon that they had reached a complete consensus on the repatriation of airliner hijackers and illegal immigrants.

ARATS Executive Vice Chairman Tang Shubei said that he and Mr. Jiao Renhe, vice chairman and secretary general of Taiwan's SEF, had solved all the wording problems existing in the first two of the three routine points on the agenda of the third round of the Tang-Jiao meetings, namely, the two agreements on the repatriation of airliner hijackers and illegal immigrants, and that they had affirmed important clauses. They will strive for the two agreements to be signed during the afternoon of 26 January. To expedite the signing of the agreement on the arbitration of fishing disputes, the ARATS and SEF will continue their talks between deputy secretaries general on Wednesday. The talks will also cover cross-strait economic, scientific and technological, and cultural exchanges, as well as express mail being sent across the Taiwan Strait.

Tang Shubei said that he and the SEF's Mr. Jiao Renhe were pleased with the results. After more than a year of negotiations, the ARATS and SEF finally reached a complete consensus on the repatriation of airliner hijackers and illegal immigrants. He stated, however, that they were not satisfied with only these achievements and that they will strive for greater progress.

Immediately after the conclusion of the second round of talks in the third Tang-Jiao meeting, Wang Zhaoguo, vice chairman of the National Committee of the Chinese People's Political Consultative Conference and director of the Central Office for Taiwan Affairs under the CPC Central Committee, met with Jiao Renhe, vice chairman and secretary general of Taiwan's SEF, and his party. The senior official of the CPC in charge of Taiwan affairs said: Everything is hard in the beginning. The progress made by the third Tang-Jiao meeting to the extent of making the signing of agreements on the repatriation of airliner hijackers and illegal immigrants acceptable to both sides within a very short period of time represents a great success. It provides an experience and method for future negotiations on similar issues.

He stressed: The ARATS and Taiwan's SEF made efforts to promote the progress and development of cross-strait relations under complicated circumstances which were full of twists and turns last year. Their efforts are fully affirmed by compatriots on both sides of the Taiwan Strait, and they have become an important channel for protecting the legitimate rights and interests of compatriots on both sides of the Taiwan Strait. It is very important to maintain the channel of communication between the ARATS and SEF regardless of whether or not cross-strait political relations are smooth in the future.

Wang Zhaoguo said: If the ARATS and SEF wish to attain success in their talks and win the support and praise of compatriots on both sides of the Taiwan Strait, they must explore topics of immediate concern to compatriots on both sides of the Taiwan Strait, avoid sensitive political issues, conduct negotiations on an equal footing, respect each other, show utter sincerity, try to

understand each other while each adheres to his principled stand, make due concessions whenever necessary, and reach a common understanding on more issues. Under the precondition that important principles have been decided upon, the Central Office for Taiwan Affairs under the CPC Central Committee has given adequate authorization to the ARATS. He expressed the hope that the ARATS and SEF will conduct more negotiations in the future on economic, cultural, and scientific and technological issues of common concern to figures from various circles on both sides of the Taiwan Strait and achieve more successes; create favorable conditions for the second meeting between ARATS Chairman Wang Daohan and Gu Zhenfu [Ku Chen-fu], chairman of Taiwan's SEF, to be held at an early date; and strengthen cross-strait economic exchanges to promote the integration of each other's advantages.

At a [word indistinct] meeting held after the talks, Shi Qiping [Shih Chi-ping], deputy secretary general of Taiwan's SEF, in quoting Jiao Renhe, vice chairman and secretary general of Taiwan's SEF, said: It may be said that the SEF and ARATS currently have quite optimistic prospects. As far as the SEF is concerned, it has always strived to eliminate various obstacles at all levels to promote cross-strait exchanges and contacts in all fields of endeavor. Jiao Renhe is in favor of Deng Xiaoping's method for the peaceful reunification of China. However, because some actual problems still exist in Taiwan, the SEF stands ready to play a certain role in this respect. With regard to the mainland's ongoing reform to shift to a market economy, the SEF is willing to share with the mainland Taiwan's experiences and practices accumulated in its process of establishing a market economy.

Tang Shubei on Talks

OW3001055795 Beijing Central People's Radio in Mandarin to Taiwan 2200 GMT 26 Jan 95

[Passages within quotation marks recorded]

[FBIS Translated Text] The talks between officials of the Association for Relations Across the Taiwan Strait [ARATS] and Taiwan's Strait Exchange Foundation [SEF] continued in Beijing on 26 January. Both sides failed to reach an agreement on the settlement of fishery disputes in the talks. To solve the problem, the talks that were scheduled to end on 26 January will be extended to 27 January.

On the morning of 26 January, Tang Shubei and Jiao Renhe [Chiao Jen-ho] continued talks on the contentious issue of the settlement of fishery disputes and attempted to find a way to solve the problem. However, at the end of the talks, both Tang Shubei and Jiao Renhe said that they did not have anything new to tell reporters. Tang Shubei briefed reporters on current difficulties they encountered in the talks:

"I am afraid the major focus of the issue is the status of official ships. We hope that the consensus reached in

August will be maintained. I think Mr. Jiao agrees with me in this regard. However, Mr. Jiao said that Taiwan hoped some words would be added to or taken away from the agreement. We hope that not a single word will be added to or taken away from the agreement because the agreement was agreed upon by the two of us, persons who are responsible for the practical operations of the two organizations. The agreement was reached and made public after we held consultations. I do not think it is a good idea to change the wording of the agreement. Mr. Jiao expressed the same wish. Still he suggested that we change certain words in the agreement. This is the situation we are in now.

"In addition, I have some suggestions. If the issue concerning official ships brings up unnecessary misgivings and concern for Taiwan, then I suggest that we can delete the whole paragraph about the issue in the agreement, if necessary. This is actually our original stand. It was the SEF that demanded that issues concerning official ships be included in the agreement. We agreed, and the two sides reached a consensus in August. If the issue brings up more doubts and new concerns for Taiwan, we can just avoid mentioning it in the agreement.

"As to our stand, I have reiterated it many times. Being unofficial organizations, I do not think we are supposed to decide on the range of waters where official ships from the two sides are allowed to conduct activities. It is not the ARATS's mission. Because the ARATS is an unofficial organization, we do not have the right to discuss the issue. Nevertheless, I am not saying that we deny the rights of Taiwan official ships or that we do not respect Taiwan's requirements on designated areas for official ships. I do not mean that. I am only saying that the two organizations are unofficial and have no right to discuss issues involving sovereignty. Since last year, we have kept telling them to avoid sensitive political issues in our talks and leave some space for individual interpretation. Avoiding talking about political issues does not mean we do not respect or recognize Taiwan's rights. We are not authorized to discuss political issues because we are unofficial organizations.

"The center of our disagreement is that the SEF wants to place this kind issue in the agreement reached by unofficial organizations. We are not able to do it, and it is against the nature of our organization. The best way is to maintain the original consensus agreed to by Mr. Jiao and me, that is, we should leave some space for our own interpretations and operations and solve problems without affecting our political stands. Frankly speaking, I do not think the operation of Taiwan's official ships needs approval from the ARATS and the operation of mainland official ships needs the SEF's approval. We do not need to write anything about the operation of official ships into the agreement."

It seems that the real focus of the talks lies with whether we should uphold the consensus reached in the Tang-Jiao talks that were held in Taipei [Taipei]. In the talks

held in Beijing, Jiao Renhe reiterated emphatically many times that the consensus reached in Tang-Jiao talks in Taipei should be maintained. Mr. Jiao seemed a little bit helpless while commenting on the issue:

"I do not think the attitude of the SEF is important. What counts is the attitude of the Mainland Affairs Council."

Although difficulties emerged in talks on the settlement of fishery disputes, which bogged down the latter half of the talks in Beijing, Tang Shubei said the results of the talks were positive:

"I think the talks between the two sides of the Taiwan Strait are significant although we did not sign the agreement. First, both of us confirmed that we should uphold the consensus reached in August. Mr. Jiao confirmed that and so did I. Second, we have reached a consensus on the wording and the interpretation of the two agreements regarding routine matters. We just have not signed them yet. Third, we discussed the differences frankly and earnestly concerning the treatment of maritime fishing disputes. I think it will be helpful for enhancing the understanding between both sides. Fourth, our two deputy secretaries general, deputy secretaries general (Zhao Zhongxi) and Liu Gangqi exchanged views with Shi Qiping [Shih Chi-ping] and (Li Fumin) on issues of cross-strait scientific, technological, cultural, educational, and economic exchanges. They reached some consensus and enhanced mutual understanding. The most important of all is Wang Zhaoguo's meeting with Mr. Jiao. They exchanged views in the meeting."

To solve difficulties in the settlement of fishery disputes, the SEF consulted with Taipei and suggested to the ARATS that they extend the talks that were scheduled to end on 26 January to 27 January. The ARATS accepted the suggestion. However, agenda of the talks on 27 January and the decision whether to sign the agreement on 27 January were discussed by Tang Shubei and Jiao Renhe on the night of 26 January.

Sides Fail To Resolve Differences

HK2701154095 Beijing ZHONGGUO XINWEN SHE
in Chinese 1325 GMT 27 Jan 95

[By correspondents Zhang Lei (1728 7191) and Lu Junjun (7120 8823 8823)]

[FBIS Translated Text] Beijing, 27 Jan (ZHONGGUO XINWEN SHE)—Talks between the persons-in-charge of the Association for Relations Across the Taiwan Strait [ARATS] and the Straits Exchange Foundation [SEF] in Beijing ended today, one day later than scheduled, without being able to resolve their differences over arrangements for disputes on fishing in waters between the two shores. Accords on the three routine matters about which general opinion before the talks had been so optimistic were not signed in Beijing as expected.

Tang Shubei, executive vice chairman of ARATS, and Chiao Jen-ho, vice president and secretary-general of SEF, held a fifth round of talks this morning at Diaoyutai. The talks revolved around the agenda of handling fishing disputes between the two shores. After the talks, Tang Shubei, after being repeatedly questioned by reporters, revealed that the two sides have agreed to identify a method to resolve Taipei's worries or concerns if the Taipei consensus reached in August last year is to be preserved. The two sides have drafted an initial supplementary clause on a tentative conciliatory provision on ships sailing on official business. He said that it was within his authority to draft this supplementary clause. Mr Chiao Jen-ho, however, needed to seek instructions from Taipei.

This afternoon did not see discussion taking place between the two sides on this subject, nor any accords signed on the repatriation of hijackers and entrants into the territories of either side in contravention of relevant regulations, and other related issues, on which they claimed they had reached agreement. Taiwan media reported that Taiwan's "Planning Commission for the Recovery of Mainland China" had stated that if the three routine business accords, which include cross-strait fishing dispute arrangements, cannot be reached, then the persons-in-charge of the two bodies will not sign any agreement, even though full consensus has been reached on the contents and wording of the two other accords.

Regarding such a scenario, Tang Shubei told reporters that ARATS is ready to sign two of the routine business accords; and if there are no accords signed, responsibility does not rest with ARATS. He believes that much progress was made in the latest talks; but compatriots on both shores are hoping for still more. With such major political differences between the two shores, there are things which are not entirely up to him and Mr Chiao Jen-ho. He hopes everyone concerned can look at and evaluate the third "Tang-Chiao Talks" from a calm and historical perspective and encourage the two bodies to persist.

Tang Shubei said: The differences on fishing disputes in waters between the two shores do not need to be put to Wang Daohan and Kunming Chen-fu for a resolution. He pointed out: We have identified, under the premise of safeguarding the Taipei consensus reached in August last year, a supplementary format of discourse which may act as a foundation for further discussion between the two sides. Given time, it is not difficult to solve this problem.

As of this evening, ARATS and SEF have not issued a "joint press release," the way they did on the last two "Tang-Chiao Talks." Tang Shubei said that even if there is not a "joint press release" owing to a shortage of time to get a text ready, it will not affect the results of these talks.

Tomorrow morning, Chiao Jen-ho and his entourage will fly to Shanghai to pay a visit to ARATS Chairman Wang Daohan. Tang Shubei will see the group off at the airport.

Government To Solve Issue Peacefully

OW2701144995 Beijing XINHUA in English 1425
GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, January 27 (XINHUA)—"Our policy is that we will try our best to solve the Taiwan issue using peaceful methods," Tang Shubei, president of the Association for Relations Across the Taiwan Straits (ARATS), said here today.

Tang made the remarks while answering questions from reporters after talks between ARATS and the Straits Exchange Foundation (SEF) ended.

"We do not agree to the use of the expression 'military aggression' because the Taiwan issue is China's internal affair," Tang said. "We will peacefully solve the Taiwan issue, and, of course, the unity of territory and sovereignty must also be maintained."

It takes time to solve the Taiwan issue, Tang said, expressing the opinion that what should be done first is the promotion of non-governmental and economic exchanges and cooperation between the two sides across the Taiwan Straits.

"We also hold that the leaders on the two sides of the Taiwan Straits should discuss the title, venue, and manner of the talks under the principle of 'One China' to work out the methods that are acceptable to both," he said.

Tang Believes Progress Made

HK2701151595 Beijing ZHONGGUO XINWEN SHE
in Chinese 1325 GMT 27 Jan 95

[By reporters Lu Junjun (7120 8823 8823) and Zhang Lei (1728 7191): "The results of the Current Talks Should Not Be Described Using Such Expressions as 'Breakdown' or 'Failure'"]

[FBIS Translated Text] Beijing, 27 Jan (ZHONGGUO XINWEN SHE)—When answering reporters' questions late this afternoon, Tang Shubei, executive vice chairman of the Association for Relations Across the Taiwan Strait [ARATS], said the current talks still made much progress. I think it is improper to describe the talks with such expressions as "breakdown" and "failure," he added.

Although the meeting ended one day behind schedule, ARATS and the Straits Exchange Foundation [SEF] failed to reach and sign an agreement on three routine items on the agenda. At the press conference held a little after 1700, Tang said: Our talks have made much headway. The opinions of our friends in the press reflect

the aspirations of the compatriots on both sides of the strait, namely, they hoped we would make greater progress.

Tang continued: As everyone knows, ARATS and SEF work when the authorities on both sides on the strait are widely divided on political issues. Under the circumstances, we have many limitations in our work and Mr Chiao Jen-he and I are not in a position to make decisions on some matters. So at a time the two authorities are greatly divergent on political issues and when the compatriots on both sides of the strait and nongovernment figures in various sectors were hoping ARATS and SEF would press ahead, progress has not come easily.

I hope everyone will assess the talks between Mr Chiao and myself cool-headedly and from a historical point of view and encourage the two bodies and compatriots on both sides of the strait to go ahead rather than using such expressions as "breakdown" or "failure," which do not agree with the facts.

'Major Progress' Seen

OW2701165295 Beijing XINHUA in English 1625
GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, January 27 (XINHUA)—The talks between the Association for Relations Across the Taiwan Straits (ARATS) and the Straits Exchange Foundation (SEF) ended here today.

Tang Shubei, vice-chairman of ARATS, said that although no agreements have been signed, the talks have still scored major progress.

Tang said that both sides finally agreed to extend the originally scheduled five-day talks for one day, and hopes that they can reach an accord and sign the three agreements on routine matters.

No agreement has been signed because there has been still a divergence of views on how to word a part of the agreement concerning maritime fishing disputes, while the Taiwan side insisted that all three agreements be signed at once, he added.

After the talks, Tang said that using the word "break" or "failure" to describe the talks does not tally with the actual results, because the talks did make great progress.

He went on to sum up the progress made by the talks as follows:

First, both ARATS and SEF reaffirmed that the consensus reached on the concrete wording by the leaders of the two sides in Taipei last August will be maintained and that the discussion about the wording and some concrete issues will be held on the basis of a common understanding.

Second, the two sides have reached a consensus on the content and wording of the two agreements concerning

repatriation of hijackers and illegal entrants into the other side's areas in violation of regulations and rules.

Third, both sides discussed their differences frankly and earnestly concerning the treatment of maritime fishing disputes and agreed to seek new ways of expressing related issues on the basis of a common understanding. Their views are coming closer to each other, according to Tang.

Fourth, deputy secretaries general of both bodies discussed the implementation of economic, scientific, and technological projects and cultural exchanges listed in the news bulletin after the Taipei talks last August, and have made some progress.

Fifth, Wang Zhaoguo, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference and director of the Taiwan Affairs Office of the Central Committee of the Communist Party of China, met with Chiao Jen-ho and exchanged views on matters of common concern. Chiao is expected to meet with Wang Daohan, president of ARATS in Shanghai tomorrow.

"Progress was made because the compatriots across the Taiwan Straits were concerned," he said, "But it is not easy to achieve something at the talks when there are still great political differences between the two sides."

He said that he hopes that everyone can comment on this round of talks with somber-mindedness and from a historical viewpoint to advance the relationships between the two bodies and the two sides across the straits.

The cause for not being able to sign the agreements, in Tang's opinion, is not found on ARATS' side. He said that the Taiwan side might have its own way of thinking and newspapers in Taiwan have reflected this. One might look for answers in those reports, he said.

Tang Shubei said that both Chiao Jen-ho and the members of the two bodies have made concerted efforts during the talks, and that Chiao, while standing by the decision of the Taiwan side, showed sincerity about solving the problems. Both sides hold different political views, according to Tang, so what should be done is to seek a way which will be acceptable to both sides and can solve problems without affecting the other's political stance.

ARATS is in favour of a common news bulletin, and the deputy secretaries general of both bodies are discussing the matter, he said. If there are difficulties in revising the wording because of time constraints, ARATS thinks that it will not affect the results of the talks.

Chiao Jen-ho and some of his proteges will fly to Shanghai to visit Wang Daohan tomorrow while the others will return to Taiwan, sources said.

Talks' Outcome Viewed

OW2801131295 Beijing XINHUA in English 1242
GMT 28 Jan 95

[FBIS Transcribed Text] Beijing, January 28 (XINHUA)—The six-day talks between the Beijing-based Association of Relations Across the Taiwan Straits (ARATS) and its Taiwan counterpart—the Straits Exchange Foundation (SEF), which was held from January 22 to 27, produced fruitful results.

According to ARATS, the two sides reached consensus on the content and wording of two projected agreements on the repatriation of airplane hijackers and other personnel illegally entering the other side's area, and decided the texts of the agreements.

Consensus on most parts of an agreement concerning the handling of maritime fishing disputes was also reached. The remaining differences on the issue were fully discussed, with the expressions of the two sides coming closer, sources from ARATS said.

The two sides also exchanged views on the cross-straits economic, scientific, technical, cultural and educational exchanges, with preliminary arrangements made on some related matters.

It is learned that the text of the agreement on the repatriation of hijackers is applicable to the suspected criminals from both sides of the straits who use violence, force, and other methods to hijack airplanes belonging to any of the two sides.

The text stipulates that these criminals shall be dealt with by the side to which the airplane belongs.

It also stipulates that the side of the landing place of the hijacked airplane shall detain the hijackers or take necessary compulsory means to facilitate the repatriation and punishment.

The Mazu and Mawei islands are cited to be the places for handing over of the criminals in principle, and Quemoy (Jinmen) Island and Xiamen City can also be the sites for the hand-over according to practical needs based on mutual agreement.

A hand-over letter should be signed by personnel of the ARATS and SEF or designated personnel over the hand-over.

The other repatriation agreement mainly deals with those illegally entering, overduy residing or staying in the mainland or Taiwan.

In order to deal with law-breakers, mainly those from Taiwan, who in recent years smuggle people from the mainland to Taiwan, the agreement also contains special clauses, stipulating that the two sides should respectively take effective measures.

Talks on opening cross-straits express mail delivery were also conducted between experts from the two sides, and a framework for the relevant implementation methods was worked out.

Chiao Jen-ho, vice-chairman and secretary-general of the SEF left Beijing for Shanghai today, and Tang Shubei, vice-president of ARATS went to see him off at the airport.

ARATS Head Receives SEF Vice Chairman

OW2801144695 Beijing XINHUA in English 1415
GMT 28 Jan 95

[FBIS Transcribed Text] Shanghai, January 28 (XINHUA)—Wang Daohan, chairman of the Association for Relations Across the Taiwan Straits (ARATS), met with Chiao Jen-ho, vice-chairman of the Straits Exchange Foundation (SEF), and his party here earlier today.

During the meeting, Wang said the recent talks between leading officials of the ARATS and the SEF in Beijing have been held in a good atmosphere and both sides show their sincerity.

Wang said that both sides should value this opportunity and no one should impose his views upon the other.

The issues which have not been solved for the time being can be discussed and deliberated again, and the issues across the straits might not be solved through just one round of talks.

"More meetings and discussions will provide more chances for each other to increase understanding," he said.

Showing his agreement with Wang, Chiao said that so long as the two sides have more exchange, the issues concerning the fundamental interests across the straits can eventually be solved.

Chiao added that if the relations across the straits tend to improve, the economic and trade exchanges, mutual benefit and common prosperity across the straits can be accomplished.

After the meeting, Wang gave a banquet in honor of Chiao Jen-ho and his party. Chen Xiangyuan, council member of the ARATS, and Li Yafei, deputy secretary general of the ARATS, also attended the meeting and the banquet. Chiao and his party visited the Pudong New Area, the biggest development zone in China this afternoon.

Talks Reach Accords

OW2901042695 Beijing XINHUA Domestic Service in Chinese 1457 GMT 28 Jan 95

["Talks Between ARATS and SEF Officials Fruitful"—XINHUA headline]

[FBIS Translated Text] Beijing, 28 Jan (XINHUA)—According to XINHUA reporters, Tang Shubei, executive vice president of the Association for Relations Across the Taiwan Straits [ARATS], and Jiao Renhe [Chiao Jen-ho], vice chairman and secretary general of Taiwan's Straits Exchange Foundation [SEF] held talks in Beijing between 22 and 27 January. Fortifying the common understanding reached between officials of the two organizations during their talks in Taipei last August, the two sides reached consensus on the content and wording of two agreements on "matters related to the repatriation of airplane hijackers across the strait" and "repatriation of people illegally entering the other side's territory and related issues." Consensus on most parts of an agreement for "consultations for dealing with disputes over marine fishing across the strait" was also reached. The remaining differences on the issue were fully discussed.

Officials of the two organizations also exchanged views on implementing economic, scientific, technical, cultural and educational exchanges in pursuance with the "agreements signed at the Wang-Ku talks" and the "Joint Press Release on the Talks in Taipei." They also exchanged views on other issues of common interest related to cross-strait exchange and contact.

It is learned that the text of the agreement on the repatriation of hijackers that was reached between the two organizations is applicable to the suspected criminals from both sides of the straits who use violence, force, and other methods to hijack airplanes belonging to either of the two sides. The text of the agreement confirms that "hijackers or criminals suspected of hijacking who use violence, force, and other methods to hijack civilian airplanes belonging to any of the two sides shall be repatriated and punished by the side to which the

civilian airplane belongs (including the side of the airplane's operator)." It also stipulates that "the side of the landing place of the hijacked airplane shall detain the hijackers or take necessary compulsory means in pursuance with the regulations to facilitate the repatriation and punishment." In repatriating a hijacker, "the Mazu and Mawei islands are cited to be the places for maritime hand-over, and Jinmen [Quemoy] Island and Xiamen City can also be sites for hand-over according to practical needs based on mutual agreement." "A hand-over letter should be signed by personnel of the ARATS and SEF or designated personnel over the repatriation and hand-over." The text also contains provisions on the hand-over of evidence during repatriation and notification of the other side on the outcome of repatriation.

The text of the "agreement on repatriation of people illegally entering the other side's territory and related issues" mainly deals with those illegally entering, residing or staying in the mainland or Taiwan overly long. The text of the agreement provides arrangements for matters related to their repatriation. In order to deal with law-breakers on both sides of the strait, mainly those from Taiwan, who in recent years have smuggled people from the mainland to Taiwan, the agreement also contains special clauses, stipulating that the two sides should respectively take effective measures to punish the lawbreakers.

During talks between officials of the two organizations, talks on opening cross-straits express mail delivery were also conducted between experts from the two sides, and a framework for the relevant implementation methods was worked out. The two sides agreed to continue discussions on related issues.

Jiao Renhe left Beijing for Shanghai this morning. Tang Shubei went to see him off at the airport.

Sources on Taiwan's Reaction To Jiang's Remarks
*OW3001112895 Tokyo KYODO in English 1047 GMT
30 Jan 95*

[FBIS Transcribed Text] Hong Kong, Jan. 30 KYODO—Taiwan has dismissed China's historic conciliatory remarks about not using force against the island as not holding much substance, Taiwan sources said Monday.

Speaking at a press conference Monday afternoon, the vice chairman of Taiwan's Mainland Affairs Council, Kao Koong-lian, responded to Chinese President Jiang Zemin's comments by saying Taiwan has long been against the use of force.

"China's comments today are merely a reflection of what Taiwan first advocated," Kao said.

He added that during the just-concluded third round of high-level talks in Beijing between China and Taiwan, China simply reiterated Taiwan's proposals to dismiss any false impressions of peace talks between the two rivals.

Kao said that unless leaders of Taiwan and China acknowledge it is time to meet each other, Taiwan President Li Teng-hui absolutely cannot visit Mainland China.

During a lunar new year address, China's Communist Party chief Jiang said, "Chinese should not fight Chinese" and that any Chinese threat to use force was "not directed against our compatriots in Taiwan but against the schemes of foreign forces to interfere with China's reunification and to bring about the 'independence of Taiwan'."

China has regarded Taiwan as a renegade province ever since the nationalist government fled the mainland in 1949 and has until now maintained the threat to use force to bring about reunification.

Spokesman on Possible Taiwan Talks, Deng
*OW2801125795 Tokyo KYODO in English 1224 GMT
28 Jan 95*

[FBIS Transcribed Text] Hong Kong, Jan. 28 KYODO—Chinese President Jiang Zemin should hold talks with Taiwan President Li Teng-hui at the earliest possible time before 1997, Taiwan's Central News Agency (CNA) on Saturday [28 January] quoted China's government spokesman as saying.

Foreign Ministry spokesman Shen Guofang reportedly said that as the 1997 return of Hong Kong to China approaches, it is better to hold such talks between the two leaders as early as possible.

Shen made the remarks when speaking to reporters aboard an airplane that ferried Taiwan's Straits Exchange Foundation (SEF) Vice Chairman Chiao Jen-ho to Shanghai from Beijing, where he held talks with senior officials of the SEF's Chinese counterpart.

As direct exchanges between Taiwan and China are prohibited, Taipei has been promoting trade and investment with Beijing through Hong Kong.

Asked about expected conditions in China following the departure of China's paramount leader Deng Xiaoping, the spokesman declined to comment, saying it is impossible to reply to such a question since Deng is in a healthy state, the CNA said in a dispatch from Shanghai.

In Beijing, Chiao concluded a six-day third round of semiofficial talks with Tang Shubei, vice chairman of the Association for Relations Across the Taiwan Straits (ARATS), over bilateral issues.

The China-Taiwan talks, however, broke down Friday over fishing disputes, Chinese officials said in Beijing.

In Taipei, President Li expressed his renewed determination to continue negotiating with Beijing despite the failure in the third round of semiofficial talks, according to reports from Taiwan.

The Taiwan leader reportedly said that if success is achieved in the 100th round of negotiations, they can be called a success, so negotiations should be held with Beijing even 100 times for 100 years.

Reportage on SEF-ARATS Talk Developments

Li Gives Statement

*OW3001102895 Taipei China Broadcasting Corporation
News Network in Mandarin 2300 GMT 28 Jan 95*

[Statement by President Li Teng-hui at the KMT Party's year-end and Spring Festival tea party in Taipei on 28 January—recorded; from the "Hookup" program]

[FBIS Translated Text] It does not matter if the Straits Exchange Foundation and the Association for Relations Across the Taiwan Strait hold 100 rounds of talks without results. We should not rejoice over the success of a round of talks only, we must also make sure we have safeguarded the nation's dignity and demonstrated our strength. Talks are a different matter; in 100 rounds of talks, one successful round will do. The most important issue is that the Kuomintang [KMT] should proceed with the talks without haste, even if they last for 100 years. We should adopt such an attitude and tolerance. We are not seeking temporary happiness from the good news carried by newspapers. This is not what we want. For the true interests of the state and various considerations, we will hold 100 rounds of talks if necessary.

Li Says Taiwan 'Sincere'*OW3001100895 Taipei CNA in English 0916 GMT
30 Jan 95*

[By Bear Lee]

[FBIS Transcribed Text] Taipei, Jan. 28 (CNA)—President Li Teng-hui, in his capacity as chairman of the ruling Kuomintang [KMT], said that Taipei is sincere in continuing to hold talks with the mainland.

"We would talk even 100 times, and would be successful if concrete results emerged from just one of the rounds of talks," he said at a year-end party of the KMT.

Li was commenting on the latest round of cross-strait talks, which ended in Beijing on Friday [27 January] with no agreements being signed.

He said, however, that such talks would help increase cross-strait exchanges as long as both sides were sincere at the negotiating table.

He said it doesn't matter if such talks fail, and that the most important thing is that "national respect" is secured during the talks.

Li also said that the KMT over the past year has helped the government push ahead with democratization, enhance economic strength, expand the ROC's role in the international arena, beef up the military, and stick to the goal of peaceful unification.

He said the party will seek [words indistinct] future challenges in a [words indistinct] aggressive manner.

Li also extended his appreciation to the some 300 party cadres present for their hard work and wished them good luck in the Year of the Pig.

Officials Meet*OW3001111495 Taipei CNA in English 1007 GMT
30 Jan 95*

[By Bear Lee]

[FBIS Transcribed Text] Shanghai, Jan. 28 (CNA)—Chiao Jen-ho, the vice chairman of the Straits Exchange Foundation (SEF) on Saturday [28 January] visited with Wang Daohan, chairman of Mainland China's Association for Relations Across the Taiwan Strait (ARATS) here.

Wang told Chiao, who ended his latest round of talks with ARATS Vice Chairman Tang Shubei Friday in Beijing, that "the mainland would like to respect and take care of Taiwan's interests" and is willing to enhance cultural interflows with Taiwan.

Wang, who is widely considered to have great influence over Beijing's Taiwan policy, said that the fruitless end of the Beijing negotiations should not have a negative impact on his upcoming second meeting with SEF Chairman Koo Chen-fu. Wang and Koo first met in April 1994 for their landmark talks.

He invited Koo to visit Beijing at any convenient time.

Chiao, in response, said that there are many areas in which both Taiwan and the mainland can join hands and share prosperity.

In related news, Beijing Foreign Affairs Ministry spokesman Shen Guofung said that the leaders of Taiwan and the mainland should have the opportunity to meet within the new year, saying that [words indistinct] such a meeting takes place, the better. He said the meeting should not take place at an international gathering, however.

Lien Says GATT Work in Final Stage*OW3001111195 Taipei CNA in English 1000 GMT
30 Jan 95*

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, Jan. 28 (CNA)—[words indistinct] Lien Chan said [word indistinct] that the Republic of China [ROC] has entered into the final stage of its bid to enter the General Agreement on Tariffs and Trade, and he urged government agencies to make an all-out effort to realize the goal before the end of the year.

Lien, while listening to the briefing of Vice Economic Affairs Minister Sheu Ke-sheng on the latest developments in the ROC's efforts to join the world trade body, said that government agencies have to work out unresolved problems according to a timetable.

Lien said that the government's GATT task force should coordinate with relevant agencies to work out difficulties and the task force should also submit substantial strategies and bottom lines on certain issues, such as the opening of Taiwan's rice market, to facilitate the coordination work.

Lien stressed that entering GATT is not inevitable [words indistinct] Taiwan must take on the path toward modernization, liberalization and internationalization.

Sheu said that nearly every GATT member has expressed its support for Taiwan's early entry into GATT but he said problems remain to be worked out on the opening of Taiwan's alcohol and tobacco and [word indistinct] markets, over the government procurement system, the protection of intellectual property rights, and the opening of financial and services industries. [words indistinct] review and revise related laws in line with GATT regulations.

Hong Kong

Media Reaction To Pension Scheme Abolition

China Welcomes Decision

HK2901083195 Hong Kong SOUTH CHINA SUNDAY
MORNING POST in English 29 Jan 95 p 2

[By Kit Yau and Queenie Wang]

[FBIS Transcribed Text] China yesterday welcomed the Government's decision to abandon its proposed old age pension scheme, but insisted the administration must come up with alternative plans to protect the welfare of Hong Kong's elderly.

However officials yesterday revealed that the territory may have to wait four years before the most likely replacement—compulsory private provident funds—can be put in place.

Xinhua (the New China News Agency) deputy director, Zhang Junsheng, said the Government's move was belated recognition that it had badly mishandled the issue. "The cancellation ... illustrates that the Hong Kong and British governments did not take into account all the details of the scheme or consult Hong Kong," he said. "That is why the majority of Hong Kong people opposed the plan. "We hope that the Hong Kong and British governments can propose a new scheme which can really protect retired people's needs."

But furious trade unionists predicted there was now virtually no prospect of having adequate protection for the elderly in place before the 1997 handover, following a government briefing to the Labour Advisory Board (LAB).

Deputy Secretary for Monetary Affairs, Tam Wing-pong, told unionists yesterday that a compulsory private provident funds scheme would take up to four years to introduce.

This would include a central co-ordinating organisation, to ensure employees can keep their provident funds even if they change jobs, and work for a different company. Even without providing for such an organisation, Mr Tam said it would still take at least two years to set up a simpler version of the scheme.

LAB employees' representative Leung Fu-wah, from the Federation of Trade Unions, said the Government had failed to give any timetable for coming up with fresh proposals to help the elderly.

He described yesterday meeting, in which members were also briefed by the acting Secretary for Education and Manpower, Jacqueline Willis, as "ridiculous and meaningless". Employers' representatives welcomed the abandonment of the pension scheme, but urged the Government to boost public assistance payments to the elderly.

Chinese General Chamber of Commerce vice-chairman, Ho Sai-chu, said the business sector would accept raising the level of profits tax by half to one per cent to pay welfare of the elderly. Meanwhile, Democrats and leftists yesterday demonstrated outside Government House. "The Hong Kong Government has been inconsistent over the issue of the pension scheme," said Cheng Yiu-tong, chairman of the pro-China Federation of Trade Unions.

Democratic Party vice-chairman, Yeung Sum, said he would move a motion in the Legislative Council on February 22 attacking the decision. "If it is true that the Chinese side put pressure on the Government over the pension scheme, the Government should have told us the truth instead of telling us the main opposition was from Hong Kong people," he added.

PRC Official Comments

OW2901134295 Beijing XINHUA in English 1328
GMT 29 Jan 95

[FBIS Transcribed Text] Hong Kong, January 29 (XINHUA)—Zhang Junsheng, deputy director of XINHUA NEWS AGENCY Hong Kong Branch, said that the old-age pension scheme to be abandoned by the Hong Kong Government lacks support from various quarters.

In response to reporters' questions at a public gathering Saturday, he said that the Hong Kong Government failed to seek adequate opinions from citizens when it turned out the pension scheme. As a result, most Hong Kong citizens were against the scheme.

He pointed out that the Chinese side has always attached importance to retirement protection and social security affairs in Hong Kong.

He urged the British Hong Kong Authorities to draw up a plan for the retired with secured resources as soon as possible.

The plan should take into account the interests of various sectors and the long-term interests of Hong Kong, he added.

Since the plan for the retired will be extended after 1997, Zhang Junsheng said, it must be formulated on the basis of consultations with the Chinese side.

Government Looking for 'Alternatives'

HK3001053495 Hong Kong EASTERN EXPRESS in
English 30 Jan 95 p 2

[By Ella Lee]

[FBIS Transcribed Text] The Government is trying to find alternatives to the aborted old-age pension scheme that will be acceptable to the community, the Governor, Chris Patten, said last night. A proposal will be put to the Legislative Council, but Patten warned that Hong Kong would be discussing pension schemes "for another 30 or

300 years" unless the community could reach a consensus instead of damning every scheme put forward by the administration. The five largest political parties are considering a united front to press the Government to draw up immediate pension plans.

Patten, who arrived back from London last night, stressed that the administration was still backing the scheme, but felt it had to be scrapped because of a lack of majority support from the community. He said the Government would discuss the alternatives again with legislators and community representatives. "As part of the process, we will in due course put down a motion for debate in the Legislative Council and see if that attracts majority support, and I hope that it will," Patten said.

He said the second proposal would depend on talks over the next few weeks. "I don't think it is right to expect the Government to put forward yet a further set of proposals unless those proposals can command wide consensus from the community," he said. Patten said the pension scheme had "clearly enjoyed massive public support" when it was first launched. But it had drawn strong criticism from legislators and the business sector. "We had a debate in the Legislative Council and hardly a single legislative councillor spoke up in favour of our pensions scheme," he said. "One or two did, and I think they made the best speeches in the debate. "We then had business leaders and the chambers of commerce criticising the proposals, and it was perfectly apparent as well that they hadn't got a thumbs-up from Chinese officials."

Patten reiterated that the scheme was "the best in every respect" to meet the future needs of the elderly without imposing an extra financial burden on the community. There was "a good deal of attraction" in ending a 30 year debate on the subject. "Frankly, what happens in Hong Kong is every time a scheme is put forward, everybody is against it, or at least expresses argument against it," the Governor said. "But, sooner or later, we have to make up our minds. "What we're doing is discussing with members of the Legislative Council, and others, whether they think there is an alternative and better way of going forward."

Protesters from the Hong Kong Federation of Trade Unions, who condemned the scrapping of the scheme were at the airport yesterday to meet Patten. Earlier, members of the Democratic Alliance for the Betterment of Hong Kong (DAB) petitioned Government House, sending two steering wheels made of paper to the Governor. They said they were lunar new year gifts for Patten in case he wanted to make more U-turns.

The DAB's vice-chairman Tam Yiu-chung, said the party would invite other political parties to draw up proposals on the issue after the holiday.

NEPA Official Comments

HK2901082795 Beijing ZHONGGUO XINWEN SHE
in English 0916 GMT 27 Jan 95

[FBIS Transcribed Text] Beijing, January 27 (CNS)—Director of the Supervision and Administration Department of the National Environmental Protection Agency, Mr. Qiao Zhiqi, stressed recently that the Hong Kong sewage disposal scheme was a key item regarding water pollution control of Hong Kong, protection on waters around Hong Kong, the Pearl River outlet and the South China Sea, the scheme must be first negotiated between Chinese side and British side before implementation.

He said one of important reasons for pollution in Hong Kong's waters was too small investment in environmental protection by the British and Hong Kong authorities for many years. To harness water pollution of Hong Kong, deliberate plan, feasibility research, environmental impact studies and input of a large sum of building and operational funds were required. All these works would be far from completion before 1997. It would at least take ten years to put water pollution of Hong Kong under control. Therefore, implementation of the sewage disposal scheme of Hong Kong must have negotiations between the Chinese side and British side. With sincere cooperation of experts of both sides, a reasonable and scientific scheme could be worked out.

Mr. Qiao finally said experts, scholars and personages of industrial and commercial circles of China also showed their strong concern about the sewage disposal scheme of Hong Kong, sincerely hoping British side should have had negotiations with Chinese side on this scheme, and taking initiative to materialize sincere cooperation between Chinese and British experts.

Council Plans To Open More Offices in China

HK3001003195 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 29 Jan-4 Feb 95 p 2

[By Liu Weiling: "Commerce Council Adds Offices"]

[FBIS Transcribed Text] The Hong Kong Trade Development Council, the region's major trade promotion organization, plans to open eight more offices on the mainland in the next two years.

The focus will be on inland cities such as Xi'an, Chengdu and Wuhan in line with shifting investment emphasis of Hong Kong businesses from coastal areas to inland provinces, said Stephen Mak, chief representative of the council's Beijing office.

By the end of 1996, the organization will have 60 offices worldwide, of which 15 will be located on the mainland.

The council has to date established offices in Beijing, Dalian Guangzhou, Shanghai Shenzhen and Tianjin.

Mak said this year the development council will put more emphasis on co-operation between Hong Kong

businesses and for eign trade companies on themainland's border areas in a bid to promote border trade.

Many of the mainland's neighbouring countries favour light industrial and textile products from the mainland and Hong Kong, he said.

Last year, the council sent delegations for the first time to business fairs in Urumqi, Kunming and Harbin, with satisfactory results.

Meanwhile, 54 trade activities to promote sales of Hong Kong products will be held on the mainland in the next fiscal year which starts at the beginning of April.

The organization also will offer more than 158,000 items of information about domestic enterprises and markets to overseas companies this year, up 16 per cent from the previous year.

"We will do more this year to reinforce Hong Kong's role as a foreign trade window for the mainland," Mak said.

He said Hong Kong businesses are highly concerned about Sino-U.S. talks on intellectual property rights.

"Hong Kong will suffer dearly if a trade skirmish between the mainland and the United States breaks out."

Most products on the U.S. retaliation list are textiles and other light-industry products. If sanctions are imposed, products worth \$800 million to \$1.2 billion will be hit with punitive tariffs.

Most of the exported products are manufactured in Hong Kong- invested ventures on the mainland.

More importantly, Hong Kong will lose business opportunities with the weakening of Sino-U.S. co-operation as most U.S. companies do business in China's mainland through their offices in Hong Kong.

Paper Views Beijing Policies on Hong Kong

*HK3001101895 Hong Kong HSIN PAO in Chinese
13 Jan 95 p 23*

["Beijing Political Situation" column by Jen Hui-wen (0117 1979 2429): "China's Latest Plan for Hong Kong's Smooth Transition"]

[FBIS Translated Text] Beijing, 11 Jan, 1995—Only two and a half years remains before Hong Kong reverts to China on 1 July 1997. One of the concerns for China in recent years has been how to ensure a smooth transition for Hong Kong, given the not-so-good cooperation between China and Britain.

An informed source in Beijing has revealed that the Chinese authorities recently circulated certain measures among cadres for ensuring Hong Kong's smooth transition. The main ideas behind these measures are: The basic point of departure is to rely on our own strength; uphold the principle of making China the dominant

player; rally all the patriotic elements in the industrial and commercial sectors, labor, and the media to participate actively in all preparations for the handover of political power; and eliminate various manmade factors leading to disruptions and chaos to effect a smooth transition for Hong Kong.

The source said: China's measures for Hong Kong in the latter half of transition were formulated according to the situation in Hong Kong. The current situation in Hong Kong is: Though China and Britain have cooperated and resolved issues over military lands and the package of financial arrangements for the new airport, to this day Britain still accuses the Preliminary Work Committee [PWC] of lacking credibility and being illegal. Obviously, Britain is not sincere about cooperation. As Qian Qichen, China's vice premier, foreign minister, and PWC director, put it: Britain's attitude toward the PWC is the test. There will be less trouble if cooperation between Britain and China is good but more trouble if cooperation is not good. Sino-British relations will certainly affect Hong Kong, but the situation in the transition period has on the whole stabilized; it is certain that Hong Kong will return to the motherland, and a smooth transition should not be a problem.

However, much remains to be done to ensure a smooth transition, the important of which is to uphold CPC General Secretary Jiang Zemin's statement—made at the PWC plenary session in July last year—of "relying on our own strength as the basic point of departure and upholding the principle of making China the dominant player in achieving a smooth transition for Hong Kong." The basic point of departure is reliance on our own strength, which includes: The support of people in the motherland and the active participation of the Hong Kong general public, which at present means getting into politics and elections and supporting the patriotic and Hong Kong-loving people in their political participation and the PWC's work.

A Beijing expert on Hong Kong and Macao believes that support for the PWC's work necessarily entails continuing the debate with Hong Kong Governor Chris Patten, as he has stuck to his position that British Hong Kong authorities have to date "no intention of rethinking their attitude toward the PWC." This expert believes that in the future China will continue to direct its firepower toward Chris Patten because, notwithstanding the fact that he was sent by British Prime Minister Major, many of the things in Hong Kong were of his own doing and have caused much trouble for Britain and Major has refrained from blaming him only out of politeness. China's criticism against Patten has homed in on the vital spot.

Emphasizing Unifying the Hong Kong Media

The informed source also said: China made a point of mentioning unifying the Hong Kong media when talking of unifying all patriotic forces, indicating that it has realized the media's critical role in achieving a smooth

transition and that it is difficult to keep the situation under control without getting hold of the media.

The Beijing Hong Kong and Macao expert believes that unifying the media or the Hong Kong mass media is a very important task for China in achieving a smooth transition for Hong Kong. The 4 June disturbance in 1989 has made this job very difficult, but this is no excuse for not attempting it.

First, with pro-China newspapers in Hong Kong (TA KUNG PAO, WEN WEI PO, TZU CHING, and so on) as the base, work to branch out, develop, and to widen the influence.

Second, correct the previous mistake of not paying enough attention to civilian-run patriotic newspapers in Hong Kong; try as much as possible to help them with their difficulties. This is to boost their inclination toward China.

Third, change the previous position of cold-shouldering some media organizations and include them in our list of targets which we feed with informal news stories. It is particularly important to work on high-level professionals in the media world.

Fourth, it is necessary to propagate repeatedly the important role of Hong Kong media in the great, historical event of Hong Kong's reversion to China. Hong Kong media should pave the way for the return of Hong Kong to the motherland; it should express the heartfelt feelings of the Chinese people, speak for Chinese, and discard all lines of argument which are but thinly disguised opposition to China reclaiming Hong Kong.

The expert believes that as 1997 nears, and with the general climate of reversion looming large, most of the media world will speak for the position of Chinese people in an attempt to work for a better prospect for themselves in the post-1997 era.

Build an Army Garrison in Hong Kong to Act As a Key Safeguard

The informed source also said: Another serious concern for the Chinese authorities all along has been the possibility of disturbances and the ways to prevent one from happening, shortly before or after 1997. Deng Xiaoping pointed out a decade ago when China and Britain were holding talks on Hong Kong: "We would like to see no problems during the transition but we must be prepared for the possibility that there are problems, the appearance of which are quite independent of our subjective will." He also said: "My worry is whether the transition period—the next 15 years—can be smooth enough; I worry about a disturbance on a large scale during this period and, moreover, a manmade one. Not only foreigners but also Chinese will be among the people responsible for the disturbance the majority of whom will be British. It is easy to stir up a disturbance. We are negotiating now because we want to solve this problem." Based on this, the best way to prevent trouble during the

transition should be consultations between China and Britain and cooperation between the two. Since the two are not cooperating, it becomes all the more necessary for China to do more in prevention. Of all the preventive work, China looks at the efforts to build an army to be garrisoned in Hong Kong after 1997 as a key safeguard for Hong Kong's stability before and after 1997.

Regarding this army, Xu Huizi, People's Liberation Army [PLA] deputy chief of general staff, recently revealed that because defense for Hong Kong after the 1997-recovery of sovereignty will include its land, air-space, and territorial waters, the soldiers to be stationed in Hong Kong will be recruited from the Army, Navy, and Air Force. This army is being put together. Recruitment standards are very strict, including a pass in political quality, excellent military skills, and good work style, besides being highly disciplined and effective in logistic supplies. Mr Xu also said that China will refer to the relevant garrison ordinances in current law when drafting the laws for the Hong Kong garrison. The laws will provide strict guidelines for PLA soldiers stationed in Hong Kong after 1997.

The Beijing expert on Hong Kong and Macao believes that despite the many measures adopted by China to prevent disturbances during the transition, as long as that loose cannon, Governor Chris Patten, is still around, it may seem hard to prevent disturbances. Hong Kong people must keep a close watch and be highly vigilant!

Chinese Object to Canada's Passport Restrictions

HK3001054795 Hong Kong EASTERN EXPRESS in English 30 Jan 95 p 4

[By Eileen Guerrero in Vancouver]

[FBIS Transcribed Text] A group of Chinese-Canadians has attacked plans to scrap automatic citizenship for babies born in Canada, saying it is aimed mainly at Hong Kong families. The proposals are seen as an attempt to curtail the so-called "passport baby problem", where Hong Kong and other Asian mothers go to Canada solely to give birth and win citizenship.

Last April, the Canadian Minister for Immigration and Citizenship, Sergio Marchi, announced plans to revamp Canada's Citizenship Act to make it "relevant, dynamic and symbolically important to the Canada of today". Last June, a special committee assigned to draft the changes issued its report for debate in parliament this year. Among its proposals, the committee recommended that babies born in Canada not gain citizenship unless one of the parents was a permanent resident or a Canadian citizen.

The Vancouver Association of Chinese-Canadians called the set of proposed changes "unreasonable and restrictive", especially at a time "when more immigrants of Chinese descent have filed for Canadian citizenship". The group acknowledged that instances of women

entering Canada to give birth had been reported, but said there were too few to conclude that the system was being abused.

Women who had sought passports for the newborns were only doing so "in order to ensure that their children will have a state to turn to if China's benevolence towards Hong Kong turns out to be disingenuous after taking control of the colony in 1997", an association spokesman said. "In today's world where you want more exports and jobs, good relations with countries, this system (of granting citizenship) is not acceptable. It is a system for the '70s not the '90s," he said.

Another point being criticised by the association is the move to bring an end to dual citizenship. The immigration committee recommended that the granting of dual citizenship be discontinued because it may "aid and abet those who view Canadian citizenship primarily as a convenient commodity ... or as an insurance policy, which they may wish to use in the future, while in the meantime residing elsewhere".

The association said the reference to citizenship as an "insurance policy" alluded to Hong Kong Chinese who had Canadian citizenship but continued to work and occasionally live in Hong Kong. The group called the

proposal unfair because it was based on a "false assumption that immigrants take advantage of the benefits of the Canadian welfare state without contributing to it". The association is unhappy with a recommendation to increase the time after which an immigrant can apply for citizenship—from three years to an unspecified period.

The group rejected a recommendation that emigrants should be present in Canada before application, a move it said ran contrary to the essence of Canada's new and controversial immigration policy favouring business immigrants over families. "(The association) agrees that social unity and community bonds can only be fostered with new immigrants if they are present in that community or country," it said. "However ... implementing this recommendation would create a contradiction between immigration policy and citizenship policy. "One government policy seeks to foster the immigration of investors and entrepreneurs, while, on the other hand, another government policy would seek to penalise them for the very traits that might make them successful investors and entrepreneurs."

The association opposed a recommendation to monitor the movements of applicants, saying the measure was similar to those of a "police state". The law requires immigrants to stay in Canada for at least six months each year and for three years before applying for citizenship.

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